



# Market Advisor

► by **Tim Petry**, livestock marketing economist, North Dakota State University

## U.S. cattle herd increases slightly

*The U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) released the annual cattle report Feb. 2. It showed total cattle numbers in the U.S. at 97 million head as of Jan. 1, 2007, slightly above the 96.7 million of Jan. 1, 2006. This marked the third straight year of cyclically increasing numbers, which may still be on track for the six years of buildup in cattle inventory that usually occurs in a typical cattle cycle.*

### Beef cows

Beef cows and heifers that have calved declined 0.3% from 32.994 million head in 2006 to 32.894 million head in 2007.

The number of beef cows near last year's figure confirms the drought in the Southern, Central and Northern Plains caused beef cow liquidation in those areas. Beef cow slaughter was up about 18% for the year and approached 40% higher during August when the drought was at its peak. Beef cow numbers would likely have been up by 1% to 1.5% in 2007, had normal precipitation occurred in the Plains.

As expected, beef cow numbers declined in the Plains states hardest hit by drought, including Kansas, Missouri, Montana, New Mexico, South Dakota and Texas. Interestingly, beef cow numbers increased 10,000 head in Nebraska and 2,000 head in North Dakota despite dry conditions in western portions of those states.

The western states of California, Colorado, Utah and Wyoming recorded

increasing beef cow numbers. Several Appalachian, Corn Belt and Southern states — including Alabama, Arkansas, Florida, Indiana, Iowa, Kentucky, Michigan, Minnesota, North Carolina, Tennessee and West Virginia — also had larger beef cow herds.

### Heifers

Heifers for beef cow replacement were very close to last year and declined only 27,000 head, or 0.5%, from 5.904 million head last year to 5.877 million head now.

The number of heifers retained near the previous year's level indicates there was still interest in cyclical beef herd rebuilding. Weather will again be an important factor for 2007, but the significant precipitation that the Central and Southern Plains have been receiving in the form of winter storms bodes well for green grass this spring.

In addition to higher beef cow numbers, North Dakota and Nebraska showed significant increases in beef cow replacements, with North Dakota up 45,000

head (29%) and Nebraska up 35,000 head (12%) over last year's levels.

### Calf crop

From a supply standpoint, the 2007 calf crop will likely be very close to the last two years. The 2006 calf crop was reported at 35.567 million head with the 2005 crop at 37.575 million. The number of feeder cattle available to feedlots in 2007 should be about the same as last year, depending on how many heifers are retained for breeding. Heifer retention will be influenced both by weather conditions and how cattle producers respond to the declines in feeder cattle prices due to sharply higher corn prices the last several months.

If weights of fed cattle moderate due to high feed costs, beef production will also be similar to last year. That, along with potentially increasing beef export volumes and moderating pork and chicken production, should support fed-cattle prices near last year's levels.

So, with both feeder-cattle numbers and fed-steer prices near last year's levels, corn prices remain the wild card in 2007 feeder-cattle prices.

### Milk cow herds

U.S. milk cow numbers increased almost 1% from 9.063 million head in 2006 to 9.129 million in 2007.

The southwestern and western states that have seen increasing milk cow herds for several years continued that trend. Herds increased in Arizona, California, Colorado, Idaho, New Mexico and Texas. Numbers also increased in the Corn Belt states of Indiana, Iowa, Michigan, Minnesota and Wisconsin.

California has the largest number of milk cows at 1.790 million head, followed by Wisconsin at 1.245 million head.

Several New England states, a traditionally important dairy region, lost milk cow numbers. North Dakota milk cow numbers declined about 6% from 33,000 to 31,000 head.

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