



Market Advisor

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More heifers signal herd rebuilding interest

The USDA National Agricultural Statistics Service (NASS) Cattle report released in January confirmed what many cattle market observers had expected. Record-setting drought in the Southern United States caused beef cow herd liquidation, fewer calves on cereal grain pasture and more cattle in feedlots. However, record-high feeder-cattle prices stimulated interest in retaining beef heifers, with replacements increasing enough in areas with good moisture conditions to cause an increase for the United States.

All cattle and calves in the United States as of Jan. 1, 2012, totaled 90.8 million head, about 2% below the 92.7 million on Jan. 1, 2011. This is the lowest Jan. 1 inventory of cattle and calves since the 88.1 million in 1952. However, it should be noted that beef production totaled more than 26 billion pounds (lb.) in 2011, compared to about 10 billion in 1952. Plus, 26 billion is just below the record 27 billion lb. produced in 2002, so the beef industry produces much more beef with the same number of cattle that existed in the 1950s.

The cow herd

Beef cows that have calved, at 29.9 million head, were down more than 3% from last

year. The decline was not a surprise given the severe drought that has plagued the Southern Plains. Beef cow numbers declined 660,000 head (-13%) in Texas; 288,000 head (-14%) in Oklahoma; 53,000 (-11%) in New Mexico; and 51,000 (-3%) in Kansas for a total decline in those major drought-affected states of 1,052,000 head.

Beef cow numbers in the entire United States declined less than a million at 966,700. Some beef cows did move from the drought-stricken area to neighboring states where moisture conditions were better. Beef cows increased 112,000 head in Nebraska, 55,000 in Iowa, 22,000 in Colorado, and 20,000 head in Wyoming. Part of this increase was due to relocation of cows from the drought-affected region and some was due to planned herd expansion.

U.S. beef replacement heifers weighing more than 500 lb., at more than 5.2 million head, were up 73,000 (1.4%) more than last year. About 3.2 million of those replacements are expected to calve in 2012. Similar to beef cows, replacement heifers declined 60,000 head (-10%) in Texas and 55,000 (-15.5%) in Oklahoma, while replacements increased 55,000 (+18%) in Nebraska, 35,000 (+29%) in Colorado, and 25,000 (+18%) in

Wyoming. Milk cow replacements were down 1% in the United States, and other heifers weighing more than 500 lb. were down 2%.

Calves

The combined U.S. total of calves weighing less than 500 lb., and other heifers and steers weighing more than 500 lb. outside of feedlots was 25.7 million, down about 4%. So, declining feedlot placements in the next several months can be expected. Smaller numbers should be supportive to calf and feeder cattle prices. Just how much feedlot inventories will decrease depends, in part, on how much heifer retention occurs again in 2012.

The total number of cattle on feed Jan. 1, at 14.1 million head, was up almost 1% from last year. The USDA NASS monthly Cattle on Feed reports tabulate numbers in only feedlots with more than 1,000 head, with the January report indicating 3% more cattle on feed. Cattle on feed in lots reported with fewer than 1,000 head declined more than 9% from last year, with tight feeder-cattle and feed supplies. That is an important structural change and reflects smaller lots selling corn rather than feeding it. Further downsizing in the cattle feeding sector in 2012 is expected in both large and small feedlots.

The 2011 U.S. calf crop was estimated at 35.3 million head, down 1% from 2010. Smaller cow numbers signal another smaller calf crop in 2012, so supplies of all market classes of cattle will continue to be historically tight.

Weather will continue to be a wild card in cattle prices and numbers. Although recent rains in the Southern Plains have been beneficial, the drought is far from over. Parts of the western Corn Belt and Northern Plains experienced a very warm, dry winter.

Seasonally high calf prices in the spring are dependent on the potential for good grass conditions. Beef cow slaughter was 4.6% higher in 2011 due to the Southern Plains drought. Cow slaughter is expected to decline in 2012, but would be trumped by expanding drought conditions. Corn supplies are also historically tight, so a near-record crop is needed to keep prices from increasing. Sharply higher corn prices would adversely affect feeder cattle prices.

