



# Market Advisor

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## Cattle numbers decline slightly, demand key to prices

*Total cattle numbers declined slightly from last year, according to the semiannual cattle inventory report released by the U.S. Department of Agriculture's (USDA's) National Agricultural Statistics Service (NASS) July 25.*

### Variable outlook ahead

NASS pegged the cattle herd at 104.3 million head July 1, 2008, down 0.5%, or 500,000 head, from last year. The decline was anticipated due to lingering drought conditions in several cattle-producing areas of the U.S. (including North Dakota, see [www.drought.unl.edu/dm/monitor.html](http://www.drought.unl.edu/dm/monitor.html)); increasing production costs, particularly feed, fuel and fertilizer; and pasture and hay land being converted to cropland because of higher crop prices.

Beef cow numbers declined 100,000 head, from 42.5 million head to 42.4 million. Beef cows have averaged 42.5 million head the last

five years and were 100,000 head above the average in 2006 and at the average in 2004, 2005 and 2007, but now are below average by 100,000 head.

Beef heifers kept for replacement also declined, from 4.7 million head July 1, 2007, to 4.6 million in 2008.

Dairy cow numbers increased 1%, from 9.2 million head to 9.3 million, as expected because of higher milk prices. Dairy replacement heifers were the same at 3.9 million head.

The 2008 calf crop, which includes both beef and dairy calves, was estimated to be down slightly at 37.3 million head, compared

with 37.4 million in 2007. However, the feeder-cattle supply outside of feedlots was 300,000 head more than a year ago. This happened because historically high feed costs and feedlot costs of gain have resulted in calves being held in pastures or on forage-based rations in backgrounding lots longer. These cattle will be placed on feed yet this year, but at heavier weights.

With more feeder cattle outside feedlots, but a slightly smaller calf crop, fed-cattle marketings in 2009 will be close to 2008 levels. Similar marketings and beef supplies will be supportive to fed-cattle prices. However, the variability in prices will continue to be influenced by demand. Fed-cattle prices were at record highs in 2007 and will be close to that record in 2008.

### Exports flourish, domestic market struggles

On the positive side, the export market for beef is increasing and approaching weekly levels experienced in the pre-bovine spongiform encephalopathy (BSE) year of 2003. Strong sales to Mexico, Canada and Russia and the reopening of the Korean market are all supportive to prices.

The domestic beef market, however, is

struggling with larger supplies of pork and chicken and economic factors that affect consumers, such as high gasoline prices, a declining stock market and the mortgage market woes.

It will be important for cattle producers to watch what happens to the U.S. economy in future weeks and months. The biggest unknown in fall calf prices is corn prices. Although corn futures prices falling \$2 per bushel (bu.) this summer has been supportive to prices, the corn crop is far from being in the bin, and prices are still about \$2 per bu. higher than last year. Corn prices likely will continue to be volatile as weather, pollination and yield reports are released.

Looking at feeder cattle, prices for heavier-weight cattle will be relatively stronger on a historic basis than prices for lighter-weight cattle to encourage forage feeding and heavier-weight placement into feedlots.

Another unknown is what demand will be for the lighter-weight calves to graze Southern Plains wheat pasture. High wheat prices and increasing fertilizer and seed prices may discourage stocker cattle grazing. Weather conditions also are an important consideration on whether to graze cattle.

Typically, wheat producers who plan to graze wheat use more fertilizer and higher seeding rates. However, the value of wheat pasture gain is much higher this year as well.

Harvest cow prices are at a record high this summer, despite higher harvest levels. Although normal seasonal price weakness is expected this fall, prices probably will set an annual record high in 2008. Prices are being supported by strong demand for hamburger, which usually happens with a weak economy and lower beef imports.

Given the higher beef cow harvest and that fewer replacement heifers are being held, beef cow numbers likely will decline again in 2009. The number of beef replacement heifers held back this fall will depend on both drought-related pasture and range conditions and calf price levels in relation to increasing costs.



**Editor's Note:** Addressing marketing issues affecting the livestock industry, "Market Advisor" is a monthly column distributed by the NDSU Agricultural Communication office. Petry is a livestock economist with the NDSU Extension Service. In that role, he provides assistance to all livestock segments in the state, focusing on adding value to the livestock industry in the region. An archive of columns can be found at [www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm](http://www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm).