



# Market Advisor

by Tim Petry, North Dakota State University Extension Service

## Cyclical beef cow herd expansion continues

The USDA National Agricultural Statistics Service (NASS) released the much-anticipated Cattle inventory report on Jan. 31, 2017, which can be viewed at <https://usda.mannlib.cornell.edu/usda/current/Catt/Catt-01-31-2017.pdf>. The industry was anxiously awaiting the report because the July Cattle report was not issued in mid-2016 due to budget constraints.

Most cattle market observers expected continued beef cow expansion, and the report certainly confirmed that. U.S. beef cows on Jan. 1, 2017, at 31.21 million head, were up more than 1 million head from the 30.17 million on Jan. 1, 2016, and followed the 863,700 increase on Jan. 1, 2015. The total three-year increase in beef cows since the last cyclical low recorded on Jan. 1, 2014, was 2,124,800 head.

### Herd numbers

Eight straight years of beef cow liquidation from 2007 to 2014 occurred previously. The last several years of that decline were largely due to severe drought conditions in much of the Southern Plains, with drought conditions expanding into the Corn Belt in 2012.

For example, Texas, the state with the largest number of beef cows, was forced to liquidate 1.2 million cows during the drought. Texas had 5.14 million beef cows on Jan. 1, 2010, but declined to 3.9 million on Jan. 1, 2014. The recovery to 4.46 million head on Jan. 1, 2017, was still 68,000 head short of the predrought 2010 number.

Other important beef cow-calf states surrounding Texas reported continued expansion with recovery from drought.

Oklahoma and Kansas saw their largest beef cow inventory since the 1980s. Nebraska and Missouri recorded the largest beef herd since 2007 and 2008, respectively.

Drought conditions that developed in several Southeastern states in 2016 caused some forced beef cow herd liquidation there. Beef cow numbers in Mississippi declined 24,000 head (-5%), Georgia liquidated 8,000 (-2%), and South Carolina lost 5,000 head (-3%).

In spite of lower calf prices, which posted about a 50% decline from the peak in the spring of 2015 to the fall low in mid-October 2016, the number of beef replacement heifers increased. Continued interest in beef herd expansion seemed evident, with NASS reporting 6.4 million head of beef replacement heifers on Jan. 1, up 79,000

head or 1.25%. 63,600 of those are expected to calve in 2017. Several notable Southern Plains states with more replacement heifers included Texas and Kansas increasing by 20,000 head, and Missouri expanding by 15,000. Optimism also showed in parts of the Northern Plains, with beef replacement heifers in North Dakota increasing 23,000 head, and both South Dakota and Montana up 20,000 head.

The 2016 calf crop (includes both beef and dairy calves) in the United States was estimated at 35.1 million head, up 2.9% from 2015. The additional beef cows and beef replacement heifers that will calve in 2017 means a larger calf crop again this year.

Larger calf crops will likely cause increased beef production for the next several years. U.S. pork, chicken and total meat production will be record high in 2017 and 2018, but beef production is not yet record high. All-time record beef production occurred in 2002 at just more than 27 billion pounds (lb.), but declined to just under 24 billion lb. by 2015 due to the declining beef cow herd. Production increased approximately 1 billion lb. in 2016 to 25 billion, and is expected to increase a billion pounds in each of the next two years. So, beef production is forecast to be about 26 billion lb. in 2017 and 27 billion lb. in 2018, which would be at or near the all-time record high.

The cyclically larger cattle and beef supplies and record-high pork, chicken and total meat production were the dominant factors pressuring prices in 2016. Those same factors will be headwinds for prices in 2017.

Lower prices should moderate the relatively aggressive beef cow herd expansion plans of the past couple years. An early indication of that may be that the number of heifers on feed Jan. 1 was up 5% from a year ago. Of course, moisture conditions are always a wild card that can impact regional beef cow numbers.

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**Editor's Note:** Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.

Fig. 1: U.S. beef cow herd, Jan. 1, 1997-2017



