



Market Advisor

by **Tim Petry**, North Dakota State University Extension Service

Is the beef industry poised for expansion?

The USDA National Agricultural Statistics Service (NASS) released the much anticipated Cattle report on Jan. 31, 2014. The report documented numbers for all classes of cattle on U.S. farms and ranches as of Jan. 1. It was anxiously awaited because the July 2013 Cattle report was not issued by NASS due to budget reductions. The good news is that NASS has indicated it will reinstate the July 2014 Cattle report.

As expected

The report confirmed what many in the beef industry expected — another decline in the U.S. cattle herd. The inventory of all cattle and calves was 87.7 million head, down 1.8% from one year ago and the smallest total U.S. cattle herd since 1951. However, it should be noted that beef production totaled 25.7 billion pounds (lb.) in 2013, compared with just 8.6 billion in 1951. The near 26 billion lb. in 2013 is just less than 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 makeup of the U.S. cow herd was much different in 1951 with more milk cows than beef cows. There were 18.5 million beef cows and 23.6 million milk cows in 1951 for a total of just more than 42 million cows in the United States. In 2014, there were just more

than 29 million beef cows and 9.2 million milk cows for a total 38.25 million head. The dairy industry has gotten much more efficient also with 115 billion lb. of milk produced in 1951, compared to 201 billion lb. in 2013.

The U.S. beef cow herd declined 255,000 head on Jan. 1, 2014, or just 0.9% below the previous year. Contrast that to the 3% decline on Jan. 1, 2013, and a more than 2% decline in 2012 when a severe drought in the Southern Plains expanded into much of the U.S. cattle-producing area. Beef cow slaughter declined significantly in the last half of 2013 as drought conditions in many areas improved and feed costs moderated. So herd rebuilding, or restocking may be a better word, began in areas where grazing conditions allowed it.

In the top 10 beef cow states, cow numbers increased in four states and declined in six states. The largest decrease in cow numbers

occurred in Texas, the top beef cow state, which suffered from several years of drought. Texas lost 105,000 beef cows. That, coupled with losses of 550,000 cows and 460,000 in the previous two years, means that beef cow numbers in Texas fell more than 1 million head from 5.025 million in 2011 to 3.91 million in 2014. No. 4 Nebraska lost 8,000 cows; No. 5 South Dakota — impacted by a severe October blizzard — declined 53,000 head; No. 6 Montana lost 30,000 cows; No. 8 Kentucky lost 16,000; and No. 10 Iowa declined 40,000 head.

The largest increase in beef cows occurred in No. 7 Kansas with an additional 86,000 head. Increases were also recorded in No. 2 Missouri, up 63,000 head; No. 3 Oklahoma, up 51,000; and No. 9 North Dakota, up 21,000 head.

The number of heifers kept for beef cow replacement, at just less than 5.5 million head, was up 90,200 head or 1.7%. This was the third straight year of increasing beef cow replacements and the highest number since 2009. For the top 10 cow-calf states, six — Kansas, Missouri, Nebraska, Oklahoma, South Dakota and Texas — saw increases; three — Kentucky, Montana and North Dakota — recorded decreases, and Iowa stayed the same.

The 2013 calf crop was estimated at 33.9 million head, down 1% from 2012. The smaller calf crop, along with increased heifer retention and fewer feeder-cattle imports, resulted in a 2.7% decrease in feeder cattle outside of feedlots on Jan. 1.

Lower inventories are supporting record-high cattle prices, and at levels that encourage herd rebuilding. However, Mother Nature is in charge of moisture conditions necessary for that to happen. It is very dry in much of the Southwest, with record-breaking drought in California. Much of the rest of the cattle-producing region is less than a year removed from drought conditions, so ample spring and summer rainfall will be necessary for the beef herd to increase by January 2015.

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