

Cattle Market Update

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Are current cattle prices an indication of expansion happening soon, or will it be 2024 before inventory levels start to recover?

USDA Cattle Inventory Report Summary – January 2023

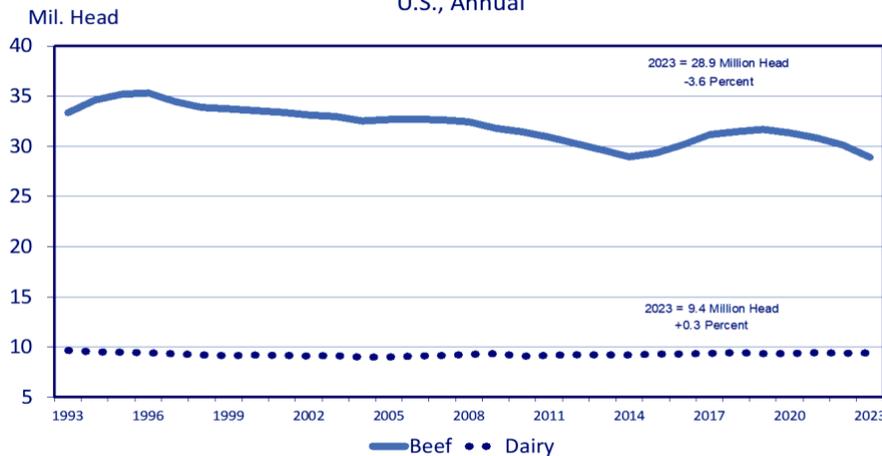
As of [January 1, 2023](#), all cattle and calves in the United States were down 3 percent from 2022 at 89.3 million head. Beef cows were down 4 percent from 2022 and 7 percent from 2021 at 28.9 million head, the lowest since 1962. The number of retained heifers was down 6 percent with the number of replacement heifers expected to calve in 2023 down 5 percent. Total heifer and beef cow slaughter totaled 51.8 percent of total cattle slaughter according to the June 2023 Livestock Slaughter Report. This decrease in cattle inventory and increase in female slaughter are results of several factors such as severe drought in 2022 and high input costs. We saw this same decline in 2012 when beef cattle inventory dropped 3 percent to 29.8 million head after the 2011 drought.

The beef cattle herd in Florida decreased by 1 percent, going from 895 thousand head in 2022 to 888 thousand head in 2023 with levels of heifer retention remaining the same. However, western states such as Oklahoma, Kansas, Texas, and Nebraska saw reduction in heifer retention reduce as low as 11 percent. But how did this decrease in western states affect Florida? With “heavy” liquidation (more supply) comes “lighter” prices (less demand). Producers in the southeast already experience lower prices compared to Midwest auctions due to transportation costs; so, whenever everyone is liquidating in the west, it does not help Florida producers who still need to sell their cattle to already full feedlots in the west.



JANUARY 1 COW INVENTORY

U.S., Annual



Data Source: USDA-NASS
Livestock Marketing Information Center

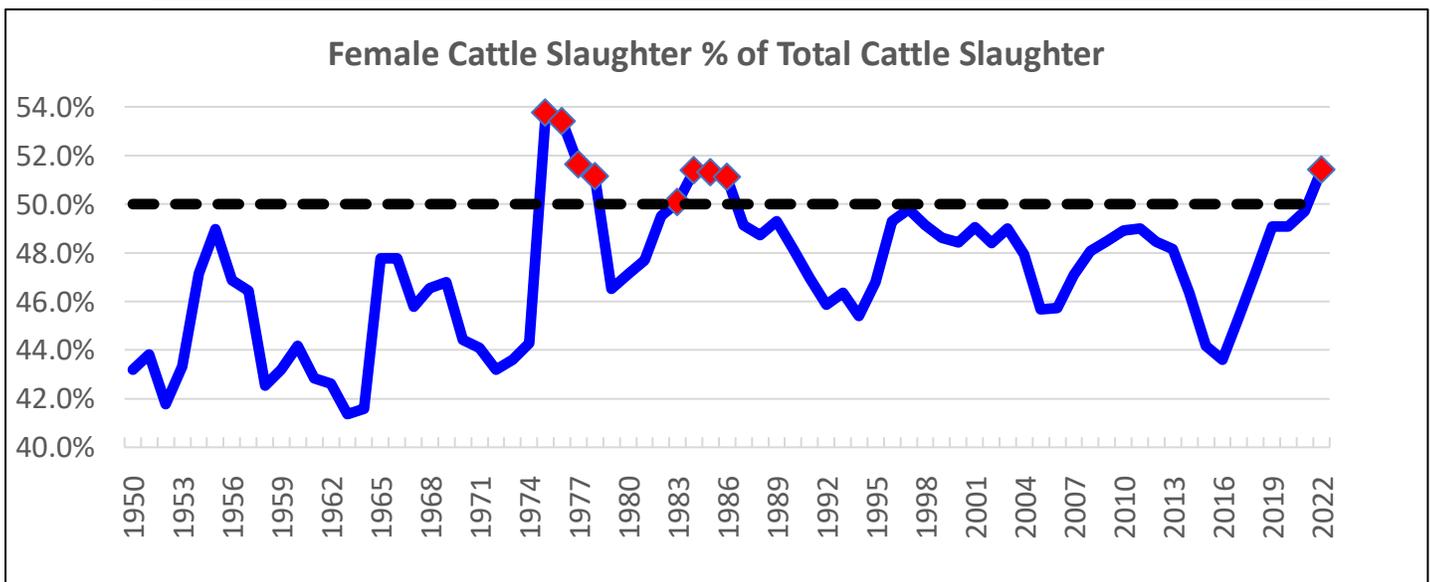
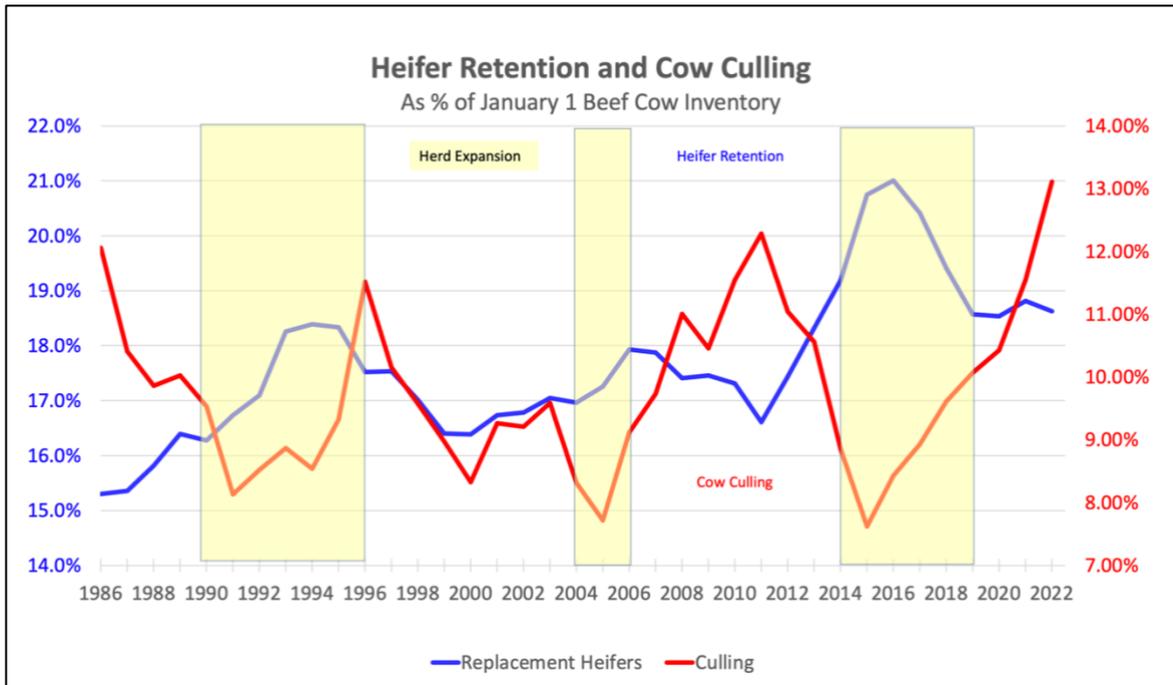
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The past 10 years...

After the drought in 2011 and 2012, feeder cattle and calf [prices started to consistently climb](#) in the fall months of 2013, and producers began rebuilding their herds. Beef cattle inventory by January 2016 was totaled at 30.3 million head, 1.7 percent higher than 2012. Prices continued to climb in 2014 until peaking in the fall of 2014 and remained steady, reaching prices as high as \$307/cwt, until starting to decline in the early fall months of 2015. Prices continued to fall for the next year and mildly fluctuated there for the next six years between \$134/cwt and \$180/cwt. Between the start of expansion in 2013 and the price decline in 2015, the

heifers retained in 2013 were raised, bred, and weaned a calf to be sold. Increased cattle supplies after and during expansion increased inventory but resulted in decreased prices.

Inventory started declining slightly in 2020 and prices were affected for several reasons such as the bottleneck affects at the plant and feeder levels caused by COVID-19 impacts. Low market prices continued when severe drought combined with high input prices forced heavy liquidation in 2022, increasing female slaughter to almost record levels and decreasing heifer retention.



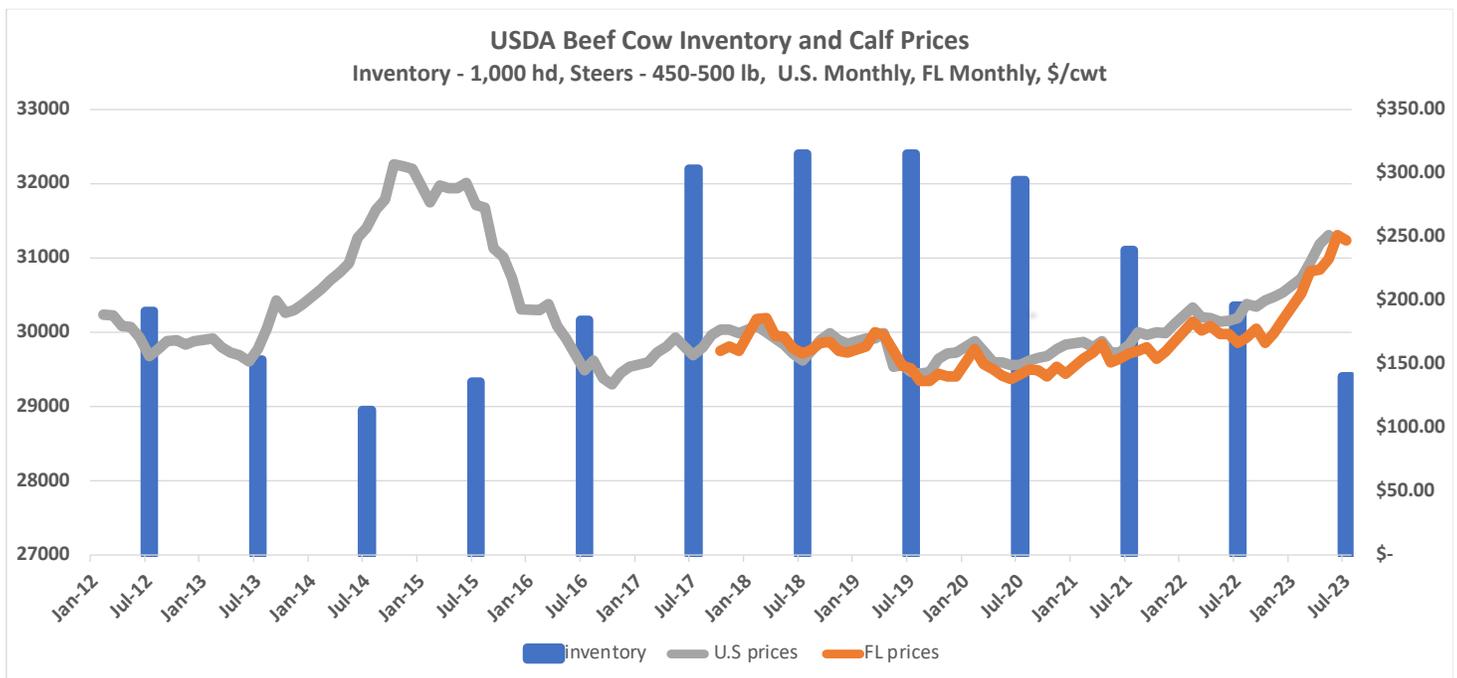
Now...

During the last ten years, producers have experienced the top and bottom of cattle prices. However, prices have been favorable over the last six months. Prices for 450-500 lb. cattle [in Florida](#) have been above \$205/cwt since the beginning of February. Prices for feeder cattle [across the U.S.](#) are resembling prices seen in 2014-2015. Nonetheless, with input prices still on the higher side, this increase in cattle prices may not be significantly increasing profits like we would hope.

According to the [FAPRI U.S. Agricultural Market Outlook](#), prices of feed, fertilizer, and fuel are projected to decrease in the coming years, but labor

costs and interest rates are expected to increase which is not ideal when trying to manage a profitable operation. Therefore, it is important that producers are using proper management strategies to optimize pasture productivity and maintain a healthy, marketable calf crop.

Historically, an increase in cattle prices indicate that expansion is soon to follow. However, with such a dramatic decrease in heifer retention and overall cattle inventory, an increase in culling rates and female slaughter, and high input costs, it is anticipated that the rate of rebuilding is going to be as equally dramatic.



USDA Cattle Inventory Report Summary - July 2023

The [July 2023 Cattle Inventory Report](#) and the Monthly Cattle on Feed Reports were released on Friday, July 21, 2023. All cattle and calves decreased by 2.7 percent year-over-year but increased by 7.4 percent since January. Inventory of all beef cattle did increase by 1.6 percent but is still lower than July 2022 by 2.6 percent at 29.4 million head. However, the levels that warrant attention for signs of expansion are the number of heifers intended for beef replacement, heifers on feed, and female slaughter.

The number of heifers on feed remains steady since 2022 and has slightly decreased by less than 1 percent since April. Heifer slaughter decreased by

4.5 percent year-over-year but has increased slightly since May. The number of heifers intended for replacement decreased by 2.6 percent year-over-year. Since January, the number of intended heifers for replacement has decreased from 5.61 million head to 4.05 million head. Heifer retention is currently at a record low of 13.8 percent of the beef cow herd. During the last expansion between 2014-2019, heifer retention was between 19-21 percent. Female slaughter is currently at 49.6 percent of all cow slaughter, which is a decrease from the beginning of the year but not by much and not an indication that the cow culling rate has decreased.

The next 10 years...

We can assume that any movement toward expansion will be seen later rather than sooner in 2024. Inventory levels are at an all-time low with levels of female slaughter and heifer retention not showing signs of rebuilding happening in the first half of 2023. The monthly USDA Cattle on Feed Reports will hopefully begin showing decreases in heifers on feed throughout the last six months of the year. Less heifers in the feedlot means more out in the pasture.

The intensity of liquidation over the past several years will be matched with an intensity of expansion in the coming years to try and recover inventory levels. The question is how quickly will we grow, and how will it affect long-term beef

production? Cattle reproduce at a 1:1 ratio, meaning heifers retained in 2023, bred in 2024, and calving in 2025, will not be put into beef production until 2026. If growth in cattle inventory happens quickly, there will be a heavy decrease beef production, causing beef prices to rise.

Prices are steadily rising for both feeder cattle and fed cattle, and it can be assumed that prices will continue to rise as expansion begins. The question here is how long will prices increase and when will they start declining? If we go by historical prices, we can assume prices for feeder and fed cattle will remain on the higher side for the next couple of years as feedlots try to maintain inventory levels.

