
Cattle Market Comments

Previewing USDA's Cattle Inventory Report

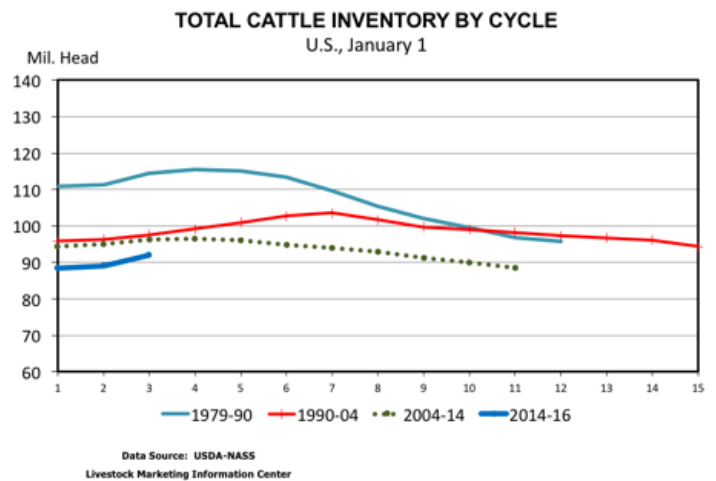
January 20, 2017

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USDA is scheduled to release the Cattle Inventory report on January 31, 2017. This report is always much anticipated because it gives a picture of not only the total inventory of cattle, but the cow herd, the number of heifers held for replacement, and cattle out on small grain pastures, among other items. During this time of growing cattle numbers and declining prices, this report will be especially anticipated for evidence of the rate of growth of the beef cow herd. This edition of Livestock Market Comments addresses some pre-report estimates for the inventory of beef cows.

Cattle Cycles

There has been a fair amount of talk in cattle circles about herd expansion, if falling prices have actually stopped expansion, and where we might be in the cattle cycle. Looking at the last four cycles (including this one) beginning in 1979 reminds us that cycles can last a varying amount of years, although they are often said to average 10 years in length, from trough to trough. The current cycle started in 2014 and is now entering its fourth year. It's important to remember that cycle length is affected by changing demand, droughts, and changing costs.



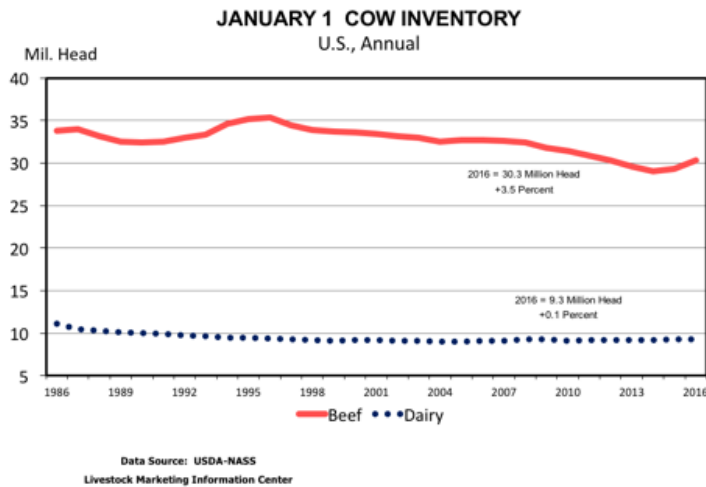
I tend to focus on the beef cow herd in this report because I view beef cows as the productive engine of the industry. I expect that this year's report will indicate that the beef cow herd grew by around 2 percent over 2016. Last year's report indicated a, historically, very rapid 3.5 percent year-over-year growth. It is likely that falling prices have slowed the rate of growth of the herd.

Cow and Heifer Slaughter

The two ways to contract the herd are to cull more cows and keep fewer heifers. The beef cow and heifer slaughter data provides some good insight into anticipated cow herd expansion. Producers did cull more cows in 2016. Beef cow slaughter was up about 13.4 percent over 2015.

While an increase, it was likely not up enough to reduce the size of the herd. Beef cow slaughter represented about 8.2 percent of the 2016 beef cow inventory. Historically, it has taken higher culling rates to result in a smaller herd.

Heifer slaughter was up about 4.4 percent in 2016 over 2015. Most of the increase occurred in the second half of the year. As with cow slaughter, heifer slaughter was likely not enough to result in a smaller beef cow herd in 2017.



Other Items of Note

The state-by-state breakdowns will provide a look at the impact of the 2016 Southeast drought on the cowherd. As the Southeast is an important supplier of feeder cattle to Plains feedlots any indication of fewer cows and cattle will be important. As in other statistical reports, revisions happen. It will be important to look for major revisions to past cattle numbers that may change our understanding of herd changes.

