

Cattle Inventory: Beef Herd Growing at a Rapid Pace but It will Slow

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The January 1, 2016 Cattle Inventory report was released the last Friday of January. The report showed the inventory of all cattle and calves to be just shy of 92.0 million head which is the largest inventory since 2011. The total inventory was 2.85 million head (3.2%) more than one year earlier. The increase from 2015 to 2016 is the largest increase in cattle inventory since 1981 when inventory increased 3.11 million head.

High cattle prices in 2014 and the first half of 2015 lead the reasons for the aggressive expansion the past year. The national beef cow herd increased 3.5% (1.03 million head) to 30.33 million head while heifers retained for beef cow replacement increased 3.3% (198,800 head) to 6.28 million head. The 2015 calf crop was 2.3% (779,700 head) larger than 2014 and totaled 34.3 million head.

The national aspect of cattle inventory is important but regional changes can tell the story of different production regions. The Great Plains region is a good place to start. Texas all cattle and calves inventory was unchanged from one year ago, but Texas did increase the beef cow herd 3.3% (150,000 head) to 4.29 million head. Some may begin to question what happened in Texas. In 2014, many former cow-calf producers in Texas had to suffice with stocker cattle because there were not enough replacement quality heifers to fill pastures. In 2015 however, many of those producers were able to begin rebuilding the cow herd which requires more feed resources than stocker production. Thus, if cattle inventory was measured on a total weight basis then Texas would have increased their inventory.

Inventory increased in Oklahoma by 6.6% (300,000 head), Kansas by 5.9% (350,000 head), Nebraska by 3.2% (200,000 head) and South Dakota by 6.8% (250,000 head). These four states accounted for 38.6% of the total inventory increase. The beef cow herd across these four states increased 4.6% (309,000 head) and totaled 6.98 million head. What may be most surprising is the aggregate for the four states of heifers for beef cow replacement declined 2.0% (30,000 head) compared to the previous year. Oklahoma was the only one of the four states to increase heifers for beef cow replacement (40,000 head) compared to a year earlier. The other large aggregate increase for these four states was the categories of other heifers and steers 500 pounds and over. The four states totaled 9.92 million head across the two categories which is an increase of 7.4% compared to January 2015.

Another region that may be of interest is the fescue belt or the Mid-South region which includes Tennessee, Kentucky, Arkansas, and Missouri. All cattle and calves inventory for these four states was 4.3% (400,000 head) higher on January 1, 2016 than the same day in 2015. The beef cow herd across this region increased 3.0% (138,000 head) and totaled 4.72 million head. Heifers held for beef cow replacement increased 9.9% (77,000 head) compared to a year ago which is an indication of further expansion of the beef cow herd in 2016. Not to be out done, the categories of other heifers and steers 500 pounds and heavier showed increases of 10.5% (47,000 head) and 9.4% (80,000 head) respectively.

Tennessee ranks fifteenth in the nation in relation to all cattle and calves. All cattle and calves started the year at 1.83 million head which is an increase of 6.4% (110,000 head) compared to a year earlier. The beef cow herd in Tennessee ranks twelfth in the nation and stands at 896,000 head which is an increase of 2.6% (23,000 head) from one year ago. Heifers retained as beef cow replacements increased 14.3% (20,000 head) to 160,000 head. The

inventory of other heifers and steers 500 pounds and over increased 43,000 head which is a function of a larger calf crop and lower calf prices in the fall of 2015. It is likely many producers held cattle until after the first of the year in hopes that cattle prices would rebound from the dismal fourth quarter prices. Similarly, it is likely that many producers marketed those calves in the fall of 2014 to take advantage of high prices.

What does the future look like now? Cattle herd expansion will continue throughout 2016 but it will slow compared to 2015 as lower cattle prices present less incentive to grow the herd. Larger calf crops will result in more cattle being placed on feed and thus an increase in domestic production of beef. The increased production will eventually result in lower retail beef prices which will further depress cattle prices and reduce profitability. Producers can expect cattle prices to remain fairly stable through 2016 but price erosion will continue in 2017 and 2018 as cattle inventory continues to increase.