

## **Cattle Inventory: Herd Expansion Slowing**

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The January 1, 2018 Cattle Inventory report was released at the end of January which likely means most readers of this article have already read several articles concerning changes in cattle inventory in the past year. However, here is a quick national and state of Tennessee review along with some thoughts moving through 2018.

The national all cattle and calves inventory number which includes all beef and dairy animals totaled 94.4 million head which is 0.7 percent greater than the year before. The number of beef cows totaled 31.7 million head, representing a 1.6 percent increase from one year ago. The number of heifers 500 pounds and heavier increased 0.6 percent to 20.2 million head compared to last year. However, the number of heifers for beef cow replacement declined 3.7 percent compared to a year ago and totaled 6.13 million head. The 2017 calf crop totaled 35.8 million head exceeding the 2016 calf crop by 2.0 percent.

The all cattle and calves inventory in Tennessee on January 1, 2018 was unchanged from the previous year and totaled 1.83 million head. The number of beef cows that calved totaled 910,000 head which is 1,000 head more than a year ago while the number of milk cows that calved declined 1,000 head to 40,000 head. The number of heifers for beef cow replacement totaled 135,000 head which is 10,000 less than the previous year. The 2017 calf crop totaled 850,000 head, 10,000 more head than the 2016 calf crop.

The cattle inventory report clearly shows a slowdown in cattle herd expansion compared to recent years, but this was expected given lower cattle prices which led to increased heifer slaughter and increased cow slaughter. The 2018 report represents the fourth consecutive year of cattle herd expansion with an increase of 0.7 percent in the 2015 report, 3.1 percent in 2016, and 1.9 percent in the 2017 report. Total cattle inventory has increased 6.6 percent or 5.87 million head since the January 1, 2014 cattle inventory report. Beef cow inventory increased 9.1 percent over that time period which represents an increase of 2.64 million head. Similarly, the calf crop has increased 6.8 percent over the four year period, representing 2.29 million head.

The next question, what decisions will cattle producers make in 2018, and how will that impact cattle inventory over the year? If the answer to this question was simply based on expectations of cattle prices and profitability, the answer may be fairly simple. However, much of the country has been dealing with drought issues which could lead to producers making alternative management decisions.

Assuming drought issues will not persist and precipitation will promote forage production, the outlook for 2018 is favorable to most cattle producers. Cattle prices are expected to remain fairly steady though they will be expected to soften with increased beef production. However, if drought takes hold, cattle producers across the country will be quickly reminded of the 2012 drought and begin to take action. The primary action will be to reduce the stocking rate which means increased cow marketing and retaining fewer heifers. If beef production is further increased in 2018 due to more cows and heifers being slaughtered because of drought then it will depress cattle prices quickly. When cattle prices decline, many producers will be forced to market more animals due to reduced cash flow which further reduces price.

Understanding the many aspects of the market that will influence cattle herd inventory in 2018 is one aspect, but understanding the outside factors such as extreme weather events or international trade issues is another issue. Thus, using a simple approach, the expectation of an "average" year will likely result in further cattle herd expansion as cattle prices remain profitable. The way to early prediction for January 1, 2019 cattle inventory is an increase of 0.2 to 0.7 percent. If drought persists, the expectation will be for cattle inventory to decline 0.5 to 1.0 percent during 2018.

It is important cattle producers in Tennessee and across the nation consider all of the possibilities moving forward. Prices of calves and feeder cattle will likely fall below break-even price in 2019. To remain profitable, producers should begin instituting management decisions that will reduce costs without negatively influencing production as well as considering alternative marketing tactics.