



Market Advisor

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Cattle herd continues to shrink

The U.S. Department of Agriculture's (USDA's) National Agricultural Statistics Service (NASS) Jan. 1 Cattle Inventory Report released Jan. 30 showed a continued decline in the U.S. cattle inventory.

The fact that the cattle herd declined was not a surprise to the cattle industry, but NASS also revised downward its previous estimates for Jan. 1, 2008.

A revision statement said that all inventory and calf crop estimates for Jan. 1, 2008, were reviewed using calf crop, official slaughter, import and export data, 2007 Census of Agriculture data and the relationship of new survey information to the prior surveys. Based on findings of this review, adjustments were made to the previously released inventory estimates. Revisions to estimates were made at the U.S. and state level and will be republished in a *Cattle, Final Estimates 2004-2008* publication, which is scheduled for release March 5.

All cattle and calves on Jan. 1 totaled 94.5 million head, a 1.6% decline from last year's revised figure of 96 million.

The previously reported inventory for 2008 was 96.7 million head. So, numbers are actually down almost 2.2 million from the previously reported inventory for Jan. 1, 2008.

Other selected revisions for 2008 include beef cows down 118,000 head, dairy cows up 33,000, beef replacement heifers down 23,000, and the 2007 calf crop revised downward 602,000 head.

Cow-calf producers continued a second year of beef cow liquidation that started in 2007.

Both beef cows that have calved and beef heifers for replacement declined more than 2% from the previous year. Drought in important cattle-producing regions in the U.S. and rising feed costs in 2007 likely caused cow liquidation to start. In 2008, a continued increase in production costs along with sharply declining cattle prices in the last half of the year fueled continued liquidation.

Beef cow slaughter up 13% in 2008

No expansion in beef cow numbers is expected in 2009 with the lower number

of replacement heifers retained and the low cattle prices due to the economic crisis.

Dairy cow numbers were up almost 1% at 9.3 million head, spurred by favorable milk prices in 2007 and the first half of 2008. However, milk prices at the farm level have crashed and liquidation in the dairy herd will likely occur in 2009.

The 2008 calf crop was down 646,000 head and reported by NASS at 36.1 million head. In spite of that, the combined total of feeder cattle outside of feedlots was up 1% at 27.5 million head. Fewer calves were marketed in the fourth quarter of 2008 due to the very low prices and ample forage in some regions.

Therefore, there may be more feeder cattle marketed in the first part of 2009 than in 2008.

Cattle on feed for slaughter numbers reflected the lower calf marketings, because there were only 13.9 million head on feed Jan. 1 compared to 14.8 million the previous year, a decline of almost 7%.

North Dakota numbers generally followed the national trend, with all cattle down more than 3% and beef cows down more than 4% Jan. 1. Dry weather conditions in the western part of the state were certainly a contributing factor in the decline.

However, heifers kept for beef cow replacement in North Dakota bucked the national trend and were reported to be up 9%. The extremely low prices for heifers last fall and currently likely caused producers to keep more heifers. Some of these heifers may not enter the cow herd and instead may be marketed as feeders before they are bred.

Usually, a decline in U.S. numbers coupled with a downward revision in the previous year's inventory would be very supportive to prices and eventually it will be. But current prices are being negatively affected by the economic meltdown and struggling beef demand, both domestically and in the export market.

How long this recession lasts domestically and internationally is anyone's guess, but a recovery is key to higher cattle prices. The new Administration and Congress are addressing the situation, but recovery will likely be a slow process.

Assuming modest recovery occurs later in the year and lower cattle numbers, 2010 should see better cattle prices, with 2011 and later looking even better!

