



Market Advisor

by **TIM PETRY**, *livestock marketing economist, North Dakota State University Extension*

Dry weather stalls cattle herd buildup

The Jan. 1, 2008, Cattle Report released Feb. 2 by the U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) indicated that the cattle herd buildup has been stalled by dry weather conditions in the Southeastern and Southwestern United States.

Declining numbers

All cattle and calves in the U.S. on Jan. 1, 2008, totaled 96.7 million head, slightly below the 97 million in inventory Jan. 1, 2007. Three straight years of cattle herd expansion had occurred since the cyclical low in 2004.

Beef cows and heifers that have calved declined 1%. Extremely dry conditions throughout much of 2007 in several Southeastern states led to the decline. Beef cow numbers in Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina and Tennessee declined 6%, 1%, 5%, 4%, 5%, 3% and 6%, respectively.

Dry conditions in the Southwest also contributed to the decline in beef cows

with Arizona, California and Nevada, all down 6% from the previous year.

In 2006, extremely dry conditions in both the Southern and Northern Plains caused herd liquidations there. However, much of that area returned to more normal rainfall amounts in 2007. Oklahoma led the Southern Plains with a 3% increase in beef cows on Jan. 1. A nice rebound in moisture conditions in parts of the Northern Plains during 2007 was instrumental in a 10% increase in beef cows in Montana.

Interestingly, although most of North Dakota was very dry in 2006, beef cow numbers still increased 2,000 head after very strong feeder cattle prices in 2005. But during 2007, when more normal precipitation occurred, beef cow numbers declined 17,000 head, according to NASS.

Beef cow harvest increased more than 6% in 2007 and was at the highest level in several years.

Heifers kept for beef cow replacements declined about 3.5% from 5.87 million head on Jan. 1, 2007, to

5.56 million in 2008. Of those, about 3.42 million are expected to calve in 2008. In general, the same states that saw beef cow numbers decline also experienced a decline in beef replacement heifers.

Angus bull sellers should be aware of the possible decline in demand for bulls in states where beef cow numbers declined significantly. On the other hand, if ample moisture would again occur in the Southeast in particular, the demand for cows and heifers to replace those sold last year should be good.

Cattle on feed

The number of cattle on feed to harvest weight increased slightly from 14.27 million head in 2007 to 14.32 million in 2008. This occurred in spite of a slightly smaller calf crop at 37.3 million head in 2007 compared to 37.52 million in 2006. One reason for more cattle on feed was due to 33% fewer cattle on winter wheat pastures in the Southern Plains than last year. Both historically high wheat prices and adverse planting and growing weather conditions caused the decline.

Furthermore, more Canadian feeder cattle entered the U.S. in fall 2007 than in the previous year due to very high feed barley prices in Canada.

The combined total of calves weighing less than 500 pounds (lb.), and other steers and heifers weighing

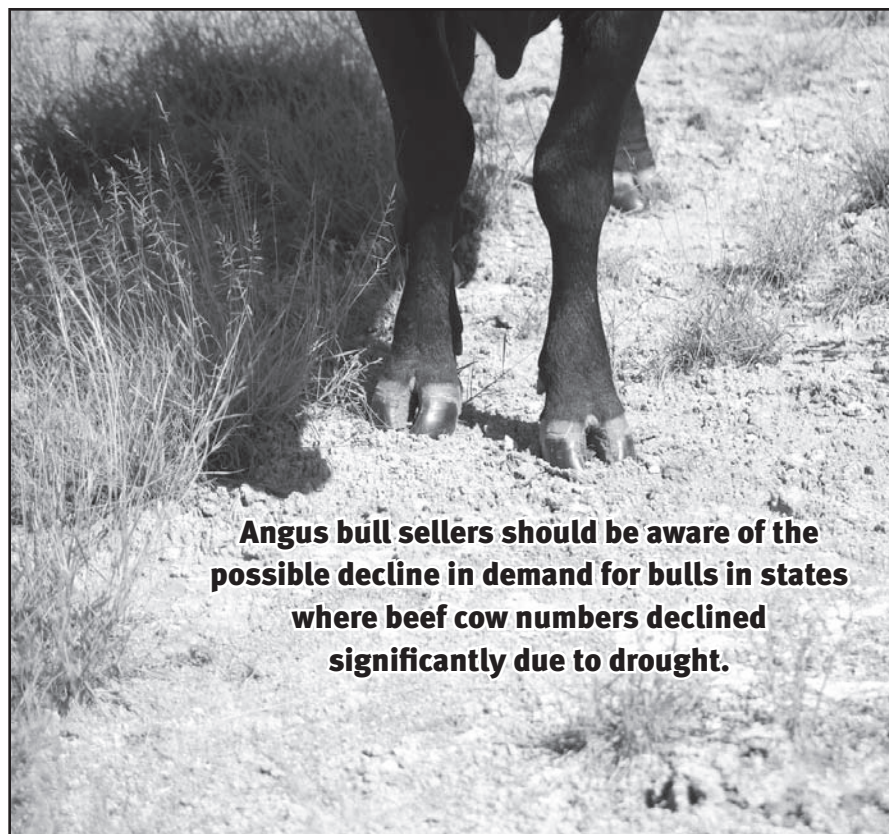
more than 500 lb. that were outside of feedlots was 28.2 million head, down slightly from a year earlier. So, feeder cattle supplies available to feedlots will remain near the last two years' levels, which were at 28.3 million head in 2007 and 28.2 million in 2006.

Available supplies will depend on how many heifers are ultimately retained for breeding. Heifer retention will be influenced by weather conditions in 2008 and how cow-calf producers respond to both lower feeder cattle prices due to sharply higher corn prices and increasing production costs.

With feeder cattle numbers near last year's levels, corn prices remain the wild card in 2008 feeder cattle prices. Corn prices in the Northern Plains averaged about \$1.20 per bushel (bu.) higher in 2007 than in 2006 and are currently about \$1 per bu. higher than last year.



Editor's Note: Addressing marketing issues affecting the livestock industry, "Market Advisor" is a monthly column distributed by the NDSU Agricultural Communication office. Petry is a livestock economist with the NDSU Extension Service. In that role, he provides assistance to all livestock segments in the state, focusing on adding value to the livestock industry in the region. An archive of columns can be found at www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm.



Angus bull sellers should be aware of the possible decline in demand for bulls in states where beef cow numbers declined significantly due to drought.