

In The Cattle Markets

Tim Petry, Livestock Economist
North Dakota State University Extension Service

Beef Cow Herd Expansion Continues

USDA-NASS released both the monthly *Cattle on Feed* report and the semi-annual *Cattle* inventory report on Friday, July 24. Both reports were expected to show higher numbers and that was confirmed.

The number of cattle and calves on feed for the slaughter market on July 1 in the U.S., for feedlots with 1,000 head or more capacity, totaled 10.2 million head up 1.9 percent from last year. There were 6.91 million steers and steer calves on feed, up 7 percent from last year and 67 percent of the total. Heifers and heifer calves on feed at 3.33 million were down 7 percent from 2014. The July 1 heifers on feed number was the lowest percent of the total since the series began in 1996 and is consistent with beef herd rebuilding.

The higher number of steers on feed was due to a number of contributing factors. Record high feeder cattle prices and the increasing \$US value have caused increasing imports from Mexico and Canada. Demand for dairy steer calves by the beef feedlot industry has increased, and resulted in declining calf slaughter throughout 2014. That trend is continuing in 2015. Furthermore, lower feed costs and the record high feeder cattle prices have caused steers to be kept in feedlots longer and fed to record high weights. Also, drought in states west of the Continental Divide has likely forced cattle into feedlots. The number of cattle on feed in Idaho was up 25 percent over last year with Washington up 23 percent and California up 6 percent.

Placements into feedlots during June totaled 1.48 million, 0.9 percent above last year with one more market day in 2015. The trend of placing more heavier-weight cattle continued with placements of under 600 lb. cattle down 13.6 percent, but 600-699 lb. placements up 2 percent, 700-799 up 2.4 percent, and over 800 lb. feeder cattle up 11.2 percent.

Marketings of fed cattle during June at 1.75 million were 5 percent below 2014, and the lowest for June since the series began in 1996.

U.S. cattle herd expansion that was first documented by USDA-NASS in the January 2015 *Cattle* report, was confirmed in the July *Cattle* report. All cattle and calves in the United States as of July 1, 2015, totaled 98.4 million head, 2 percent above the 96.3 million on July 1, 2014. The last time all cattle and calves inventory for July 1 increased was 2006.

The best overall pasture and range conditions in many years in states east of the Continental Divide and record calf prices spurred interest in beef cow herd rebuilding. Beef cows that have calved at 30.5 million, were up 3 percent from July 1, 2014. Beef replacement heifers at 4.9 million were up 6.5 percent.

The July *Cattle* report does not report cattle numbers on a state-by-state basis, so an analysis of where rebuilding is happening is not possible. The January report showed several Southern Plains states that had suffered with several years of severe drought, expanded beef cow numbers in 2014 with improved moisture. Texas, Oklahoma, Missouri, Kansas, and Colorado accounted for 534,000 of the total 607,700 head increase in beef cows on Jan. 1, 2015. Those states likely accounted for much of the continued increase in cows in 2015.

NASS estimated the number of calves under 500 lbs. up 2.2 percent, the numbers of steers over 500 lbs. up 2.9 percent, but the number of non-replacement beef and dairy heifers down 1.4 percent. The total feeder cattle supply outside feedlots was up 2 percent, so there will be more cattle to market this fall and into spring. Increased supplies will pressure prices, which will likely be below last fall's record levels, but still the second highest ever. Of course, corn prices are also a wild card which likely will continue to cause feeder cattle futures market price volatility.

The Markets

Prices in the entire cattle and wholesale beef market were pressured last week by waning mid-summer beef demand and increasing production of pork and chicken. Across the 5-area market, liveweight fed steer prices averaged \$145.58 per hundredweight, down \$2.48 for the week. Dressed weight prices decreased \$3.25 to average \$231.95. Choice boxed beef prices fell \$2.17 to average \$232.67. Choice boxes have fallen over \$30 per hundredweight since posting record highs two months ago. Calf and feeder cattle prices were steady to \$5 lower with instances of \$10 lower by the end of the week. Corn prices in Omaha on Thursday were down 20 cents a bushel at \$3.85.

		Week of	Week of	Week of
<i>Data Source: USDA-AMS Market News</i>		7/24/15	7/17/15	7/25/14
5-Area Fed Steer	all grades, live weight, \$/cwt	\$145.48	\$147.96	\$163.26
	all grades, dressed weight, \$/cwt	\$231.95	\$235.20	\$256.54
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$232.67	\$234.85	\$253.77
	Choice-Select Spread, \$/cwt	\$3.72	\$2.73	\$4.62
700-800 lb. Feeder Steer	Montana 3-market average, \$/cwt	\$220.00	--	--
	Nebraska 7-market average, \$/cwt	\$238.26	\$240.48	\$243.79
	Oklahoma 8-market average, \$/cwt	\$224.94	\$226.59	\$219.78
500-600 lb. Feeder Steer	Montana 3-market average, \$/cwt	\$259.58	--	--
	Nebraska 7-market average, \$/cwt	\$268.16	\$266.86	\$293.10
	Oklahoma 8-market average, \$/cwt	\$254.83	\$261.94	\$246.76
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.85	\$4.04	\$3.42
	DDGS Price, Nebraska, \$/ton	\$134.88	\$129.55	\$115.70