

In The Cattle Markets

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An Assessment of January 1, 2023, USDA Cattle Report

The USDA releases the Cattle report on the last day of January. This information is as of the first of the year. The report is the most thorough look at the inventory of cattle and calves in the country. This is the inventory base from which all marketing of beef for the coming years will be sourced. The January version of this twice per year report is the more comprehensive. Cattle producers in all 50 states are surveyed. And it is good to remember that this information is based on a survey. The USDA samples producers and then extrapolates the sample responses to the population of producers. The appropriateness depends on the representativeness of the sample and the sample response. In this context we see that several statistics from the prior year were revised. All cattle and calves and the calf crops from the January and July reports in 2022 were revised. The first slightly higher and the second slightly lower. Both changes were fractions of a percent, but exercise reinforces the idea of a sample versus the underlying population.

The inventory of all cattle and calves were estimated to be 89,274.1 thousand head on January 1, compared to 92,076.6 thousand head on the same date in 2022. This is a reduction of 3.0%. The states with the largest inventories are Texas, Nebraska, Kansas, California, and Oklahoma. Thirty-four states showed reductions in inventories, six showed essentially no change, and ten states showed increases in inventories. The nationwide drought is and has been impacting inventories and has been having the greatest impact on states with the largest numbers. Oklahoma showed a 11.5% decline, North and South Dakota showed 6.4% and 6.6% reductions. Iowa, Ohio, and Mississippi were all down 5.5% or slightly less. California, Arizona, and New Mexico were steady. And increases were only in Missouri, Hawaii, and states with more dairy animal numbers.

There is a difference between what is occurring in the beef herd and the dairy herd. Beef cows that have calved were down 3.6% from 29,983.1 to 28,917.9 thousand head. While dairy cows that have calved were up 0.3% from 9,377.1 to 9,402.5 thousand head. So in total all cows and heifers that have calved were down 2.6% from 39,360.1 to 38,320.4 thousand head. This is the sharpest drop in beef cow numbers and all cow and heifer numbers in over 20 years.

Cow numbers are down sharply and heifer numbers are more sharply. All heifers 500 pounds and over are down 3.7%. And within this inventory number, beef cow replacements are down 5.8% from 5,481.5 in 2022 to 5,163.7 thousand head on January 1 this year. Milk cow replacements are down 2.3% and other heifers are down 3.2%. Beef cows have been liquidated largely because of drought and forage costs while heifers have been placed on feed and sold into the beef production system.

Reflections on the calf crop reveal tightening, of course, and more substantial tightening of numbers in the second half of last year. The calf crop in the first half of 2022 was estimated to be down 1.6% while the smaller calf crop in the second half of the year was down 3.2%. And finally, feeder animal supplies available on January 1 – these are animals under 500 pounds and animals over 500 not categorized as being herd replacements – are 25,266.5 thousand head and down from 25,990.2 on January 1, 2022. This is down 2.8%. This number was only tighter in 2014-15 and roughly as tight during 2012-13. It is reasonably clear that when cattle producers think about herd building or rebuilding it will be from starting conditions that are tighter than was the case in 2012-13.

The Markets

What does the technical picture say? Optimism. Nothing but optimism. Live cattle futures contract prices have broken resistance and are following trends higher. Deferred contracts are increasing at the fastest rate but nearby contracts have solidly punched into new highs. Spring feeder cattle contracts are at resistance and will have difficulty moving higher with the current elevated cost of gains. Fall feeder cattle contracts are simply galloping to new highs. Fall feeder cattle contracts are also offering some great price levels for risk protection, especially LRP, precisely because the drought is not yet broken. And because the corn market will be interesting to watch this spring and summer if it does not.

<i>Data Source: USDA-AMS Market News</i>		Week of 2/3/23	Week of 1/27/23	Week of 2/4/22
5-Area Fed Steer	all grades, live weight, \$/cwt	\$158.17	\$155.25	\$139.76
	all grades, dressed weight, \$/cwt	\$249.88	\$247.72	\$221.79
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$265.82	\$269.17	\$284.05
	Choice-Select Spread, \$/cwt	\$13.32	\$17.03	\$4.94
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$187.00	\$181.04	\$163.29
	Nebraska 7-market, \$/cwt	\$186.91	\$185.77	\$169.26
	Oklahoma 8-market, \$/cwt	\$179.95	\$177.01	\$157.35
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$219.37	\$217.35	\$198.15
	Nebraska 7-market, \$/cwt	\$227.03	\$224.16	\$203.23
	Oklahoma 8-market, \$/cwt	\$210.30	\$204.36	\$178.76
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.11	\$7.21	\$6.12
	DDGS, Nebraska, \$/ton	\$297.00	\$302.14	\$242.50