



Historically Low Cow Numbers

Herd rebuilding is shaping up to be a slow go.

by *Wes Ishmael*

Even if you take drought recovery out of the equation, there's no clear indication cow-calf producers will aggressively retain heifers and begin herd rebuilding this fall.

"Cattle prices are trending higher in response to ever-tightening cattle and beef supply fundamentals," says Derrell Peel, Extension livestock marketing specialist at Oklahoma State University, in his Sept. 4 marketing comments. "The beef cow herd on Jan. 1, 2023, was the

lowest since 1962 and is still getting smaller. The projected 2023 U.S. calf crop is 2.5 million head smaller than the recent peak in 2018 and leads to an estimated July 1 feeder cattle supply down 3.6% year over year and the smallest since 2017. Feedlot inventories have been smaller year over year since September 2022."

Although cattle prices have already moved higher more quickly than some expected (see Market Tracks, Page 32), Peel points out the peak cattle prices will come when herd rebuilding begins in earnest.

"The retention of heifers and reduced cow culling will squeeze feeder cattle supplies, cattle slaughter and beef production to sharply lower levels," Peel says. "This process has not yet started and is expected to proceed rather slowly when it does begin. Herd rebuilding is expected to take three to four years or more."

Despite historically high cattle prices, margins currently lag those that helped propel herd expansion the last time around. Input costs are higher, and the nation's economy is weaker. Never mind the fact that rebuilding will begin in an even deeper hole than the last expansion, especially when it comes to heifers.

Peel points out the inventory of calves weighing less than 500 pounds on July 1 was 26.3 million head, down 2.6% year over year, according to the semiannual *USDA Cattle* report.

"The beef replacement heifer inventory was 4.05 million head, down 2.4% from last year and is the lowest ever in the July *Cattle* report," Peel says. "Not only are replacement heifer inventories low, but the supply of other

Replacement Values Rising

Based on August auction data, prices for replacement females are significantly higher year over year, according to the Livestock Marketing Information Center (LMIC) in the Aug. 25 *Livestock Monitor*.

LMIC analysts explain prices for Medium and Large No. 1-2 bred cows in the first trimester increased significantly at many August auctions reported by the USDA's Agricultural Marketing Service.

For instance, prices were 40-60% higher year over year in the Southeast, according to LMIC. Prices for the same class of replacements were 53% higher at Joplin Regional Stockyards in Missouri and 57% higher at Oklahoma National Stockyards.

For some historic perspective, LMIC analysts explain, "Auction data moved exponentially higher back in 2014 and 2015, however, that expansion effort was propelled by record high profits. While producers are already seeing better calf prices in some areas of the country than they did back then, costs have increased substantially, including interest rates, and profits are unlikely to be as good." While these factors are not expected to limit expansion, LMIC analysts say they may be headwinds for some producers. **BA**

heifers that could be used for breeding is also low ... The other heifer inventory includes heifers already in feedlots as well as heifers that are part of the estimated feeder supply. The July *Cattle* report showed an inventory of other heifers at 7.3 million head, down 5.2% year over year.”

There were 29.4 million beef cows in the U.S. July 1, which was 800,000 head fewer (-2.6%) year over year. The number of beef replacement heifers was 100,000 head fewer (-2.4%) at 4 million head. This year’s calf crop was estimated to be 33.8 million head, which would be 664,500 head fewer (-1.9%) than the previous year.

As mentioned, the calculated number of cattle outside feedlots July 1 — calves under 500 pounds, other heifers and steers weighing more than 500 pounds — was 34.4 million, which was 1.3 million head fewer (-3.6%) than the same time last year.

The total number of cattle and calves in the U.S. July 1 was 95.9 million — 2.7 million fewer (-2.7%) than a year earlier.

“Until enough cow-calf producers anticipate enough returns for a long enough period of time, herd expansion will be tempered,” Peel says. “In the meantime, cattle supplies will continue to tighten. Market prices for calves and feeder cattle will continue to increase as the market provides more price incentives that will eventually strengthen producer expectations and jump-start herd expansion.”

Herd liquidation continues

As it is, even though weekly beef cow slaughter rates are declining, beef cow slaughter continues above the five-year average, according to Elliott Dennis, University of Nebraska-Lincoln Extension livestock economist. He adds heifers, as a percentage of total cattle on feed, remains at the highest level in 20 years at about 40%.

“On one hand, we have the higher feeder cattle prices, current and deferred, which incentivizes the desire to retain cows and heifers to get profits in the future,” Dennis explains, in the mid-September issue of *In the Cattle Markets* from the Livestock Marketing Information Center. “However, there are also atypical seasonal incentives to sell both cull cows and heifers at higher current market values than previously experienced and forgo profits next year.”

Fake Meat Sales Falter

Although it never amounted to much in the great scheme of things, beef could be reaping a little extra demand from consumers who appear to be losing their already anemic appetite for plant-based fake meat.

The market for plant-based meats has likely reached a tipping point as the initial period of exceptional sales growth appears to be over, according to a new report from CoBank’s Knowledge Exchange.

“Whatever their reason for purchase, plant-based offerings appear to have fallen short of consumers’ expectations in terms of either cost or performance,” says Billy Roberts, senior food and beverage economist for CoBank. “Market participants should be able to address the cost issues with greater economies of scale and minimized supply chain expenses. However, innovation around taste, texture and mouthfeel will be essential to capture more mass-market consumers.”

For added perspective, the price per share for Beyond Meat Inc. — the poster child for plant-based fake meat — was trading at \$10.20 per share in mid-September. It was \$19.55 a year earlier and about \$113 two years earlier.

Plant-based meat sales peaked in 2020 when consumers had more discretionary income and were curious about broadening their food spending in the wake of pandemic-era food shortages, according to CoBank. But fewer than half of Americans who tried the products at the time repeated their purchase, per data from consumer research firm Mintel.

Sales of meat alternatives have fallen steadily since 2021 and more sharply over the last year. Volume sales dropped 20.9% for the 52-week period ending July 2, 2023, according to consumer behavior research firm Circana.

Consumers have consistently cited health as a top reason for purchasing plant-based offerings. However, according to the CoBank report, shoppers who initially sought plant-based meats thinking these were healthier options would later voice doubts about the healthfulness of the products, specifically as it relates to their typically complex ingredient legend. **BA**

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Dennis points out declining cow numbers and strong ground beef demand are keeping cutter cow and slaughter cow prices significantly higher than both the five-year average and last year with general price support for cutter cows at \$90 per hundredweight. He adds that higher and stronger ground beef prices and boxed beef cutter cow cutout will keep these prices high or increase them into the fall.

Ultimately, Dennis says the tradeoff this fall will be between cashing in on cows and heifers at high prices or chasing higher calf and feeder cattle prices in 2024.

“Producers need to be extremely diligent about calculating how much they can pay for replacement heifers, as well as how much value that heifer has when she is retained rather than sold under current market conditions,” Dennis says. “Understanding what needs to go right and what can go wrong for heifers and bred cows to pay for themselves will be extremely important this fall (see Replacement Values Rising sidebar).” **BA**