



Cattle Herd Still Shrinking: Higher Prices to Follow

Jason Franken

School of Agriculture
Western Illinois University

February 7, 2022

farmdoc daily (12): 16

Recommended citation format: Franken, J. "Cattle Herd Still Shrinking: Higher Prices to Follow." *farmdoc daily* (12): 16, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 7, 2022.

Permalink: <https://farmdocdaily.illinois.edu/2022/02/cattle-herd-still-shrinking-higher-prices-to-follow.html>

The USDA's January 1 cattle inventory report places the total number of cattle and calves at 91.9 million head, down 2% from a year ago, confirming that the industry is still amidst a contractionary phase in the cattle cycle. All cows and heifers that have calved total 39.5 million head, also nearly 2% below last year, which mostly reflects 2.3% fewer beef cows at 30.1 million head, as milk cows at 9.3 million head were only 0.7% lower than last year. That's the smallest beef cow inventory since 2015, when producers were still rebuilding following the drought in 2012. As further evidence of continued contraction, both beef and dairy replacement heifers are down about 3% relative to last year, while other heifers are down 1%. Overall, the inventory of all heifers weighing 500 pounds or more is down 2%. Steers and bulls weighing 500+ pounds are down 1.25% and 4.56% respectively, while the number of calves under 500 pounds is down about 2.58%. Of these numbers, particularly notable surprises are that inventories of beef cows and beef replacement heifers are both below the lower end of pre-report estimates.

With around 2% fewer cows and heifers calved, the USDA has revised downward the July estimate of the 2021 calf crop to 35.1 million head, so that it is now 1% below the 2020 level, which should help hold down the number of animals on feed and beef production in 2022 and 2023.

The USDA's most recent *Cattle on Feed* report indicates over 12 million head on-feed or just about 0.58% more than on January 1 of last year. Last December, feedlots also placed 12 million cattle on-feed and marketed 1.85 million, both nearly unchanged from the prior December. The mix of steers and heifers indicates that, compared to a year-ago, more heifers are being sent to the feedlots instead of staying on farm for breeding stock. Though total cattle on-feed are up 0.58%, steers on-feed are down about 0.5% while heifers are up 2.4% from last year. Looking at it another way, heifers comprise around 39% of the cattle in feedlots according to recent reports, as compared to only 31%-33% during much of the last expansion. This is additional evidence that producers are not yet planning to expand the brood cow herd.

Taking into account the inventory and cattle on feed numbers, beef production is anticipated to be 2.5% lower in 2022 than last year. In terms of domestic demand, per capita beef consumption is expected to be about 57 pounds per person in 2022 compared to almost 59 pounds in 2021 or around 3% lower. Meanwhile, exports are projected to be 5.35% lower this year. Those export projections account for the lower anticipated beef production and reflect that 2021 was a banner year for U.S. beef exports with annual growth of 17%; that is, projected exports for 2022 are still almost 11% higher than in 2020.

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from *farmdoc daily*. Guidelines are available [here](#). The *farmdoc daily* website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).

All things considered, prices in 2022 are likely to exceed those of the last couple of years. Quarterly prices for slaughter steers are forecast to average about \$141.14/cwt, \$144.55/cwt, \$136/cwt, and \$140.76/cwt, respectively. For 600-700 pound feeder steers, prices are forecast to average about \$174.13/cwt in the 1st quarter and then rise to \$179.27/cwt and \$184.83/cwt in the 2nd and 3rd quarters, before falling to \$180.34/cwt in the 4th quarter of 2022. These projections reflect tighter supplies and anticipated pullbacks in domestic consumption and export demand. However, if domestic demand holds and exports tick upward, then higher prices may be realized. Conversely, if new COVID variants hinder demand and disrupt trade, lower prices may ensue, and the potential for higher feed prices may increase the spread between live and feeder cattle prices.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/BW-MaxG5ers>

View Slides at: <https://farmdocdaily.illinois.edu/wp-content/uploads/2022/02/2022-2-7-Farmdoc-Cattle-Inventory.pdf>