farmdoc DAILY

Agricultural, Consumer & Environmental Sciences | University of Illinois Urbana-Champaign

Could this Cattle Inventory Report Signal Initiation of a New Cattle Cycle?

Jason Franken

Division of Applied Social Sciences
University of Missouri

July 22, 2026

***farmdoc daily* (16): 129**

Recommended citation format: Franken, J. "Could this Cattle Inventory Report Signal Initiation of a New Cattle Cycle?" *farmdoc daily* (16): 129, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 22, 2026.

Permalink: https://farmdocdaily.illinois.edu/2026/07/could-this-cattle-inventory-report-signal-initiation-of-a-new-cattle-cycle.html

The USDA's mid-year cattle inventory report will be released this Friday, July 24, 2026, with many anticipating still lower inventories as drought conditions across much of cattle country could lead to culling of cows and feeding out instead of retaining heifers. A prior *farmdoc* report demonstrates the historical relationships of these activities to annual changes in mid-year inventories and can be deployed to project the July 1 total cattle inventory prior to report release. Intuitively, as greater shares of cows are culled through June relative to the January cow inventory and as heifers represent a greater share of cattle fed, the total inventory declines and these negative relationships respectively explain 30% and 50% of the variation in changes in inventory from one July to the next. As of the end of June, about 6.4% of the January cow inventory (or about 14% of dairy cows and nearly 4% of beef cows) have been slaughtered and based on the April cattle on feed report, heifer's share of cattle in feedlots remains elevated at 37.3% compared to shares in the 31% to 34% range during much of the last period of expansion. In a combined model, these values project a total July 1 inventory of 93.88 million head or nearly unchanged (just 0.02% lower) from a year ago.

However, developments in the dairy sector—specifically, the growth of beef-on-dairy feeders—may alter the associated heifer feedlot share indicator. The dairy industry is increasingly producing its replacements through AI using sexed semen, while mostly using conventional beef semen to produce calves destined for feedlots. Prior to this development, most dairy heifers were retained as replacements, with few going to feedlots. About 10% of feeders are estimated to be beef-on-dairy. If roughly half of those are heifers, then reducing the most recent heifer share of feeders statistic by 5% implies levels closer to where herd rebuilding would occur, suggesting higher inventories.

Besides the relative mix of heifers and steers, another trend apparent from recent cattle on feed reports is that, despite low cattle inventories, cattle on feed have been increasing since January, with marketings decreasing at slower rates than placements, as cattle are fed to heavier weights, given attractive differentials between cattle prices and feed costs. While the most recent USDA WASDE report finds 3.5% fewer corn acres than a year ago, it pegs corn prices at $4.40bu due to higher beginning stocks, suggesting that feed costs should continue to support higher slaughter weights.

As such, beef production is anticipated to decline by only about 3% over the next 2 years, with exports dropping closer to 10% over that time, reflecting limited availability and U.S. domestic consumption remaining around 59 pounds per person per year. With the resilient domestic beef demand, cold stocks of beef are currently approaching seasonal lows, about 1% below year ago levels, setting the stage for continued high prices ahead.

All things considered, cattle prices should again remain near or above year ago levels. Quarterly forecasts for slaughter steer prices average $251.60/cwt and $245.68/cwt for the last two quarters of 2026 and $250.42/cwt and $258.44/cwt for the first two quarters of 2027. For 600-700 pound feeder steers, prices are forecast to average about $420.59/cwt and $410.13/cwt in the last two quarters of 2026 and $439.14/cwt and $450.17/cwt in the first two quarters of 2027. These forecasts reflect low cattle inventories, moderate feed costs, and resilient domestic demand. However, if demand falters or if inevident efforts at herd rebuilding become apparent, then lower prices may be realized.

YouTube Video: Discussion and graphs associated with this article at: https://youtu.be/_khtshNcj_w

View Slides: https://farmdocdaily.illinois.edu/wp-content/uploads/2026/07/2026-7-22-Farmdoc-Cattle-Inventory.pdf

References

Franken, J. "How Big is the U.S. Cattle Herd?" *farmdoc daily* (14):138, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 25, 2024.