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Benchmarking Cattle Herd

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Benchmarking cattle herd

USDA has released two reports estimating July 1 cattle inventories: the July Cattle report (also referred to as the midyear Cattle Inventory report) and the July Cattle on Feed report. The reports help benchmark where the U.S. cattle industry is in regard to current supplies and where it may be heading.

Total number of cattle and calves at 98.4 million head is up 2.2% from a year ago. Beef cow numbers are up 2.5% at 30.5 million head. USDA estimates 4.9 million head of replacement beef heifers are destined to enter the national beef breeding herd, 6.5% more than in 2014.

Pay close attention to what's happening with the breeding herd. Through the first 28 weeks of 2015, the beef cow culling rate (year-to-date beef cow slaughter as percent of Jan. 1 beef cow inventory) is 4.1%. This is the lowest 28-week culling rate since 2005 and suggests culling rates will be below the 8.8% realized in 2014. A second consecutive year of single-digit culling rates at these levels



Beef Outlook

BY LEE SCHULZ

would be consistent with the early stages of accelerated beef herd expansion.

Through increased heifer retention cattle producers have continued to add youth to the national breeding herd. The inventory of beef replacement heifers as a percent of beef cows, at 16.1%, is the highest in 20 years and consistent with levels during the large expansionary phase experienced in the early 1990s.

The July Cattle report has USDA's first estimate of the 2015 calf crop, and it came in at 34.3 million head, 1.2% higher than 2014. Should this estimate of the calf crop prove accurate, 2015 will mark the first year of over 1% year-over-year growth in the calf crop since 1994.

The combined inventory of steers 500

pounds and over, other heifers 500 pounds and over, and calves under 500 pounds is up 1.9% from a year ago. After accounting for cattle already in feedlots, the supply of feeder cattle outside feedlots at 35.5 million head is 2% higher than a year ago.

Much of the year-over-year increase in feeder cattle supplies is bolstered by the 2.3% increase in calves under 500 pounds, highlighting the effect of an increasing calf crop. But with a majority of the increase in feeder cattle supplies being calves that will be placed late in the year and into next year, this will affect 2016 beef production more than 2015 beef production.

The cattle-on-feed inventory for all feedlots, 12.10 million head, is 1.7% higher than a year ago. It only happens twice a year that we get estimates of the total cattle on feed inventory (from the Cattle report) and the inventory of cattle on feed in 1,000-plus head capacity feedlots (from the monthly Cattle of Feed report). The number of cattle on feed in feedlots with 1,000-plus head capacity is estimated at

10.236 million head, 1.9% higher than July 1, 2014. This puts the July 1, 2015, estimate of cattle on feed in feedlots with less than 1,000-head capacity at 1.864 million head, 0.4% higher than a year ago. Cattle on feed in feedlots with 1,000-plus head accounted for 84.6% of the total cattle on feed on July 1, 2015, up slightly from a year ago.

The latest USDA reports don't change supply-side expectations much, if any, since estimates were near what analysts expected to see. Also, the fact that beef cattle inventories are increasing doesn't change the timing of expected beef production increases. Production is expected to decrease another 1% to 2% in 2015 following the 5.7% year-over-year decrease in 2014. Commercial slaughter will likely decrease 3% to 4% in 2015 with fewer cows and heifers in the slaughter mix. Average dressed weights will remain large following the sharp increase in late 2014 and will likely average 1% to 2% higher in 2015.

Schulz is the Iowa State University Extension livestock economist.

THE MATH IS SIMPLE



Hybrid A

+



Hybrid B

=

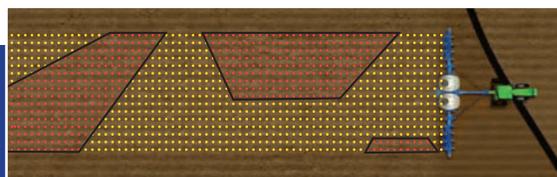
9.5 bu/a

Average Yield Increase*

*Based on two year data from Beck's CILPFR Center in 2012-2013 available at <http://bit.ly/110iWk8>

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