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In The Cattle Markets

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Drought Impacts Cattle Numbers

USDA-NASS released the *CATTLE* report on Friday, January 27. The report confirmed what many cattle market observers had expected. Record setting drought in the Southern U.S. caused beef cow herd liquidation, fewer calves on cereal grain pasture, and more cattle in feedlots. However, record high feeder cattle prices stimulated interest in beef heifers, with replacements increasing enough in areas with good moisture conditions to cause an increase for the U.S.

All cattle and calves in the U.S. as of January 1, 2012, totaled 90.8 million head, slightly more than 2% below the 92.7 million on January 1, 2011. This is the lowest January 1 inventory of cattle and calves since the 88.1 million in 1952. However, it should be noted that beef production totaled over 26B lbs. in 2011, compared to about 10B in 1952. And 26B is just below the record 27B lbs. produced in 2002, so the beef industry produces much more beef with the same number of cattle that existed in the 1950s.

Beef cows that have calved, at just under 29.9 million head, were down over 3 percent from last year. The decline was not a surprise given the severe drought that has plagued the Southern Plains. Beef cow numbers declined 660,000 head (-13%) in Texas, 288,000 head (-14%) in Oklahoma, 53,000 (-11%) in New Mexico, and 51,000 (-3%) in Kansas for a decline in those major drought impacted states of 1,052,000 head. Beef cow numbers in the entire U.S. declined less than a million at 966,700. Some beef cows did move from the drought stricken area to neighboring states where moisture conditions were better. Beef cows increased 112,000 head in Nebraska, 22,000 in Colorado, and 20,000 head in Wyoming.

Beef replacement heifers over 500 lbs. in the U.S., at over 5.2 million head were up 73,000 (1.4%) over last year. About 3.2 million of those are expected to calve in 2012. Similar to beef cows, replacement heifers declined 60,000 head (-10%) in Texas and 55,000 (-15.5%) head in Oklahoma, while replacements increased 55,000 (+18%) in Nebraska, 35,000 (+29%) in Colorado, and 25,000 (+18%) in Wyoming. Milk cow replacements were down 1% in the U.S. and other heifers over 500 lbs. were down 2%.

The combined total of calves under 500 lbs., and other heifers and steers over 500 lbs. outside of feedlots was 25.7 million, down about 4%. So, declining feedlot placements in the next several months can be expected. Smaller numbers will be supportive to calf and feeder cattle prices which are at record high levels.

The total number of cattle on feed at 14.1M head was up almost 1% from last year. The USDA-NASS monthly *Cattle on Feed* reports show numbers in only over 1,000 head lots, with the January report indicating 3% more cattle on feed. Cattle on feed in the under 1,000 head lots declined over 9% from last year with tight feeder cattle and feed supplies.

The 2011 calf crop was estimated at 35.3 million head, down 1% from 2010. Smaller cow numbers signal another smaller calf crop in 2012, so supplies of all market classes of cattle will continue to be historically tight. Weather will continue to be a wild card in cattle prices. Although some recent rains in the Southern Plains have been beneficial, the drought is far from over. And parts of the Northern Plains are experiencing a very dry winter.

The Markets

The fed cattle market was weaker last week after increasing two weeks in a row. 5-area fed steers on a liveweight basis averaged $123.82 per hundredweight, down $1.82 for the week. Dressed weight prices declined $3.29 for the week to average $199.41. The wholesale beef market was stronger with lower supplies recorded. Choice boxed beef rallied $1.73 to average $184.26. The Choice-Select spread declined $2.39 to close the week at $5.26. Feeder cattle prices were generally firm to $5 higher except in Montana which saw lower prices especially on the over 700 lbs. steers. Corn prices in Omaha on Thursday rallied 31 cents a bushel to $6.43. But DDGS prices in Nebraska lost $4.29 per ton for the week at $202.40.

Data Source: USDA-AMS Market News		**Week of 10/14/11**	**Week of 10/7/11**	**Week of 10/15/10**
5-Area Fed Steer Price	all grades, live weight, $/cwt	$123.82	$125.64	$104.30
	all grades, dressed weight, $/cwt	$199.41	$202.70	$167.72
Boxed Beef	Choice Price, 600-900 lb., $/cwt	$184.26	$182.54	$173.25
	Choice-Select Spread, $/cwt	$5.26	$7.65	$2.08
700-800 lb. Feeder Steer Price	Montana 3-market average, $/cwt	$147.43	$153.80	$122.92
	Nebraska 7-market average, $/cwt	$157.41	$154.48	$127.90
	Oklahoma 8-market average, $/cwt	$152.18	$149.75	$125.80
500-600 lb. Feeder Steer Price	Montana 3-market average, $/cwt	$181.31	$181.55	$148.21
	Nebraska 7-market average, $/cwt	$193.88	$188.45	$149.77
	Oklahoma 8-market average, $/cwt	$172.71	$171.25	$141.70
Feed Grains	Corn, Omaha, NE, $/bu (Thursday)	$6.43	$6.12	$6.24
	DDGS Price, Nebraska, $/ton	$202.40	$206.69	$191.40
	MWDGS Price, Nebraska, $/ton	$104.60	$103.38	$91.90