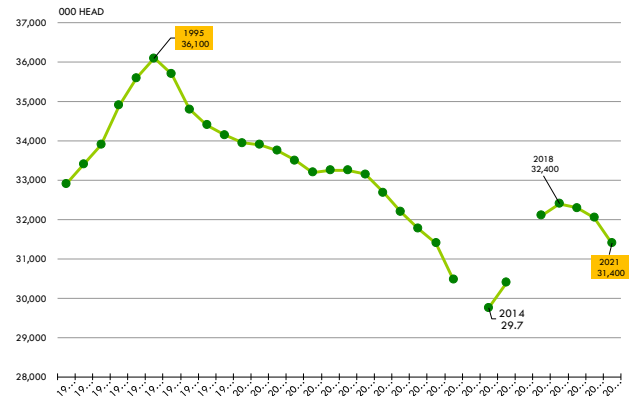


As we noted in our report yesterday, **the cattle inventory report published on Friday pointed to lower beef supplies in the next few years.** Drought conditions have exacerbated the profitability malaise that has gripped the cattle producing business. As a result, the number of beef cows as of July 1 was estimated at 31.4 million head, **650k head or 2% lower than a year ago.** In January, the number of beef cows was down 358k head from the same time the previous year. More importantly, it does not appear that beef producers are anywhere close to hitting the brakes on liquidation. Pasture conditions normally get worse as we go into August and September and high feed costs have changed the calculus for producers. In a previous issue we noted that weekly data suggests much of the liquidation has come from producers in the Southern Plains and Western US. The liquidation pace has accelerate in a number of Northern States, as well. Monthly statistics show that Q2 beef cow slaughter in Region 5 (IL IN MI MN OH WI) was 143,300 head, up 51,100 head from 2020 and up 23,100 head from 2019. An increase in the beef cow slaughter does not always suggest liquidation because as the beef cow herd expands over several years one would expect the culling rate to be up as well. However, **the recent increase in cow slaughter comes at a time when beef cow inventories have been declining.** Producers are also saying that they have retained fewer heifers for herd rebuilding, which will tend to further reduce beef cow numbers next year. The number of heifers retained for beef cow herd replacement was estimated at 4.3 million head, down 100k head from the previous year and the lowest replacement number since 2012 (no data available for 2013). In the last four years, replacement numbers are down a total of 400k head.

**As beef cow numbers decline so will the number of calves produced in a given year.** The July survey provides a first estimate of the calf crop (production) for the year, an estimate that is then revised in January when fall calf production is included. One might be tempted to stay optimistic about beef supplies in 2022 and 2023 as the USDA survey pegged the calf crop just slightly under 2020 levels. This despite the much smaller calf crop. Unfortunately in recent years the July survey has not had a very good track record in estimating the final calf crop for the year. In the last two years the July survey has been off by an average of 686k head or 2% from the final crop number. Since 2017, the average miss has been an average of 526k head or 1.5% and since 2010 the July crop estimate has been higher than the final estimate in 9 of 10 years (two additional years there was no estimate). The smaller calf crop of the last couple of years and liquidation has resulted in a July 1 inventory that is 1.3 million head smaller than the previous year. The supply of cattle outside feedlots (feeder supply) as of July 1 is estimated at 36.1 million head, down 600k head or 1.6% from a year ago. The supply of cattle on feed was also estimated 200k head or 1.5% lower than the previous year, a number that was lower from the monthly survey. Cattle pipeline supplies are shrinking, something reflected in the premiums currently built in forward futures contracts and something that beef buyers need to remain aware of.

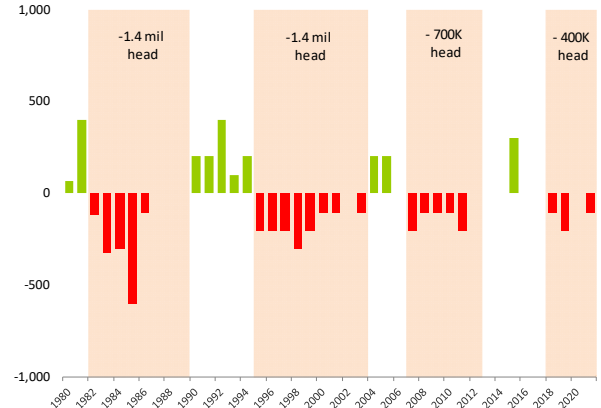
## USA JULY 1 BEEF COW INVENTORY

Data source: USDA-NASS. Analysis by Steiner Consulting. Estimates from UB Survey of Analysts



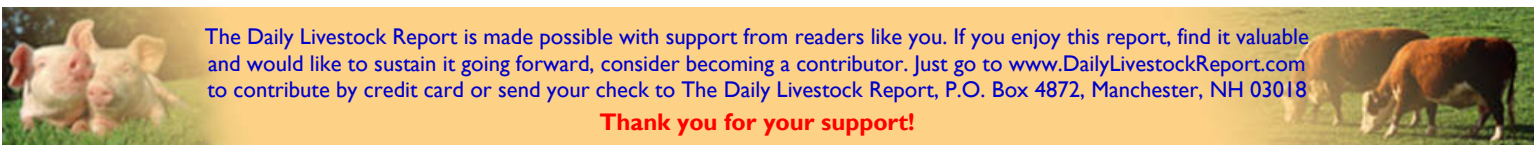
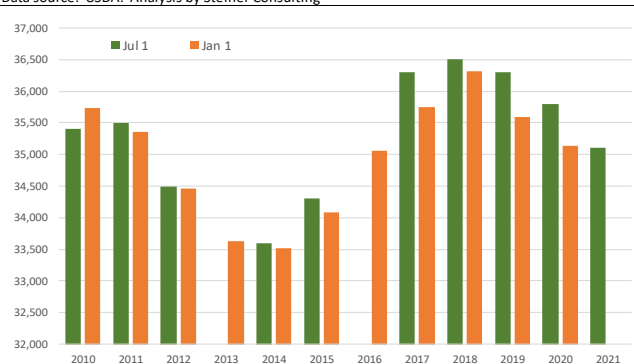
## HEIFERS RETAINED for BEEF COW HERD REPLACEMENT

Y/Y Change, JULY 1 SURVEY, USDA



## Comparison of Jul 1 and Jan 1 Estimate of Annual Calf Crop

Data source: USDA. Analysis by Steiner Consulting



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