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## Where Will Beef Cows Expand?

Chris Hurt

Department of Agricultural Economics  
Purdue University

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It is getting to be a well repeated story. Beef cow numbers are at their lowest level since 1962. Cattle and feeder cattle prices are at record highs and feed prices have dropped. Beef consumers continue to eat beef and are rewarding the beef industry with very profitable returns. So when are beef producers going to expand the breeding herd and in what regions of the country will that occur?

To answer those questions we first look at the areas of the country that had the biggest reductions in beef cow numbers due to drought, high feed prices, and financial losses. Since 2007, beef cow numbers dropped by 12 percent totaling 3.8 million head. The biggest declines were in the region with the most cows-the Southern Plains- which accounted for 1.6 million of the decline. Texas, the big beef cow state, had a reduction of 1.4 million head, an astonishing 36 percent of the nation's total decline. That region's expansion opportunities are very mixed due to lingering drought. About one-third of Texas remains in the three highest drought categories, D2-D4. Importantly, parts of cow-dense eastern Texas are now out of drought and the National Weather Service is forecasting some continued drought abatement by this fall for the region. In conclusion, lingering drought in the Southern Plains will tend to mean a slow expansion there.

The second most important region for beef cows is the Southeast, which had an 822,000 head beef cow reduction since 2007, or 21 percent of the nation's total. The biggest reductions were in Tennessee and Kentucky and accounted for 59 percent of the region's decline. The Southeast is generally in good shape for pastures as the impacts of the 2012 drought have passed.

The third most significant beef cow area is the Northern Plains, where beef cow numbers did not drop over the past seven years. This probably means that producers in that region will be expanding numbers with large amounts of grazing land. Lower returns to grain production are expected to bring some conversion of land back to grazing in coming years as well. The Central Plains are the fourth most important area and drought continues to linger in Kansas and parts of Nebraska, slowing their expansion.

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The fifth most important beef cow region is the Western Corn Belt from Minnesota to Missouri. That region had a reduction of 566,000 cows, or 15 percent of the national reduction. Over the last seven years this region has been most dramatically affected by the ethanol boom. Traditionally a low-grain price region, many farmers once talked of “walking” their corn to town in the form of value-added livestock. Now, hauling corn to the local ethanol plant is often the preferred marketing plan. The ethanol impact is much less important in Missouri, where more marginal land is suited to beef cows, so that state is expected to lead the coming expansion for that region.

The rest of the country has a mixed situation. Severe drought in California and other parts of the West and Pacific Northwest are going to prevent expansion in some of those areas. On the other hand, the Eastern Corn Belt and the Northeast will see some expansion, but these have become relatively minor beef cow regions.

The latest June Cattle inventory update from USDA does not answer the question of whether expansion is underway, since USDA was not funded to collect mid-year cattle inventory data one year ago. Numbers from January seemed to suggest that heifer retention was up two percent, signally expansion. But, the June inventory was two percent lower than two years-ago, providing inconsistent signals.

Low slaughter numbers seem to be signaling that heifers are being pulled away from slaughter and toward breeding herd retention. The number of cattle processed this year is down seven percent, a number greater than would have been expected in the absence of expansion. Cow and heifer slaughter have been low as well.

Finished cattle prices have reached record highs over \$160 in recent weeks. In 2013, finished cattle prices averaged about \$126. At the start of 2014, forecasts were for prices to average in the mid-\$130's. Now, it appears the 2014 yearly average price will be close to \$150. The mid-\$150s are expected for the remained of the year, with prices dropping to the low-\$150s for the first-half of next year.

When will expansion begin and where will it occur? Clearly the profit incentive has returned more powerfully than expected. Pastures and ranges have returned in some regions and feed is more available. But drought is limiting forages in other significant areas. This means the national beef cow expansion will be slowed and that tight beef supplies will be with the country for several more years.

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