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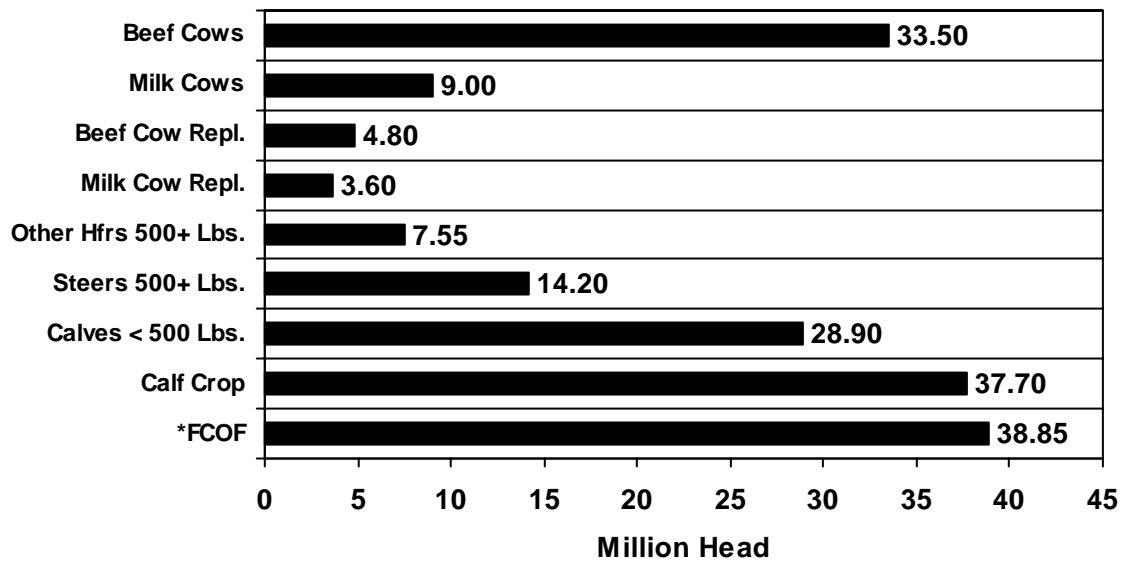
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**The Mid-Year USDA Cattle Inventory Report:
 Have You Counted Your Cows Lately?**

You may have gotten up this morning and counted your cows. If not, the USDA has counted them for you. The USDA Cattle inventory report for July 1, 2004, was recently released. The July estimate of the total U.S. cattle inventory decreased by 300,000 head (-0.3%) compared to a year ago and totaled 103.6 million head.

As of July 1, 2004, the USDA reported that the number of cows and heifers that have calved was 42.5 million head, down about 200,000 head from a year ago (-0.47%). As shown in Figure 1, inventory estimates for beef and dairy cows were 33.5 and 9.0 million head, respectively. Beef and dairy cow numbers were each down 100,000 head compared with a year ago. However, compared with July 1, 1990 (the beginning of this cattle cycle), the July 1, 2004 estimates were two percent larger for beef cows and 10 percent smaller for dairy cows.

Figure 1. U.S. Cattle Inventory, July 1, 2004



The July 1, 2004 number of heifers, 500+ pounds, held for beef and milk cow replacements were estimated at 4.8 and 3.6 million head, respectively. Beef cow replacements increased by 200,000 head (4%) from last year, while dairy cow replacement numbers were unchanged from last year. The number of other heifers, 500+ pounds, was estimated to be 7.55 million head, down about

150,000 head (-2%) from the year before. These estimates seem to imply that some herd rebuilding efforts are underway in the beef sector.

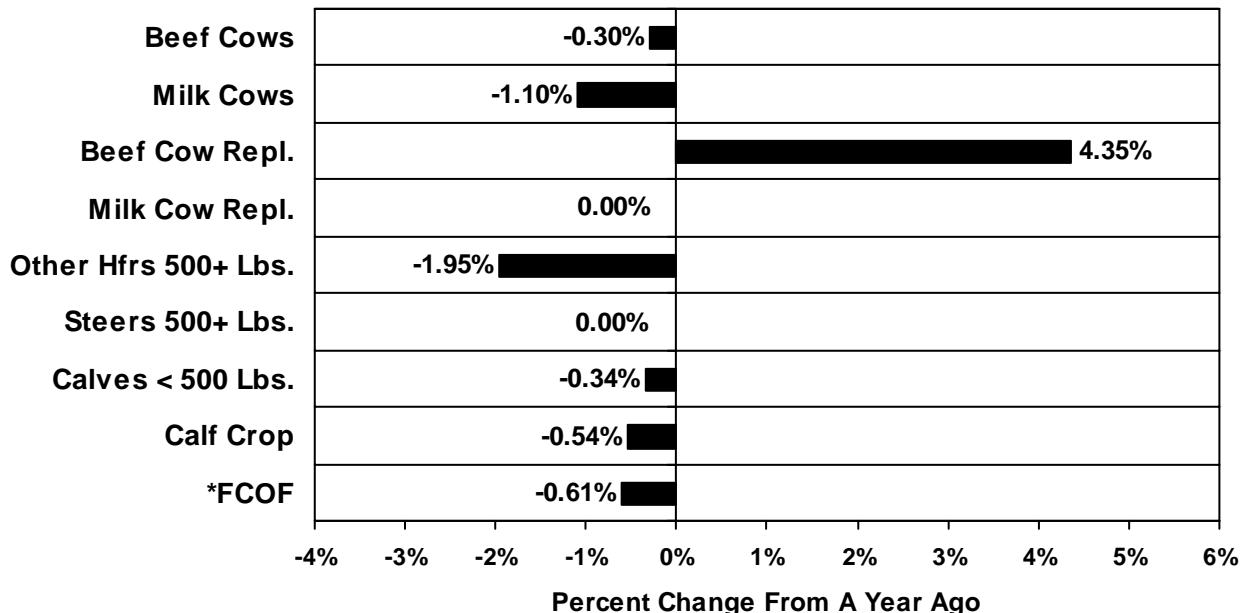
The number of steers, 500+ pounds, was unchanged from last year and estimated to be 14.2 million head. Calves less than 500 pounds were estimated to be 28.9 million head, down about 100,000 head (-0.34%) from last year. The calf crop for the July 1, 2004 report was estimated to be 37.7 million head, down about 203,000 head from a year ago. Based on the July 1, 2004 cattle report, the estimated feeder cattle supply outside of feedlots (FCOF) was 38.85 million head, down about 240,000 head (-0.61%) from last year.

Preliminary inventory data was reported for eleven of the larger cattle producing states. Of the eleven reporting states, five states (California, Kansas, Missouri, Nebraska, and Oklahoma) reported increases in the number of cows that have calved since last year. Each of the remaining six states reported only marginal decreases in the number of cows that have calved since last year except Colorado, which reported an eleven percent decline in cows that have calved since last year. Dry weather in Colorado during the last several years has negatively impacted cattle numbers in this state.

The current cattle cycle began in 1990, with about 104.6 million head of cattle and calves. The average cattle cycle prior to the current cycle has been about ten years in length. We are presently in our fifteenth year of this cattle cycle. The July 1, 2004 inventory count of U.S. cattle and calves was about 103.6 million head, which was about three-tenths of a percent smaller than a year earlier and one percent smaller than the beginning of this cattle cycle in 1990.

Figure 2 illustrates the percent change from a year ago for several of the livestock categories from the July 1, 2004 Cattle report. All percentage change estimates from a year ago are either zero or negative except for beef cow replacements. This is an indication that herd rebuilding is expected to begin this year.

Figure 2. Percent Change in U.S. Cattle Inventory, July 1, 2004



The inventory of beef and milk cows showed a slight decrease from a year ago, -0.30% and -1.10%, respectively. The estimate of beef cow replacements reported an increase of 4.35% from a year ago. Milk cow replacement numbers were unchanged from last year (0.00%). A decrease was realized for other heifers, 500+ pounds (-150,000 head or -2%). The number of steers, 500+ pounds, was unchanged from last year (0.00%). Calves less than 500 pounds were estimated to be down 100,000 head from last year (-0.34%). The 2004 calf crop was estimated to be down 203,000 head (-0.54%) from last year. Feeder cattle outside of feedlots (FCOF), which include other heifers greater than 500 pounds, steers greater than 500 pounds, calves less than 500 pounds, minus cattle on feed, were down 240,000 head (0.61%) from a year ago.

The lower inventory numbers for cattle and calves will likely result in lower beef supplies which should further improve cattle prices. The next cattle inventory report will be taken as of January 1, 2005, and released in late January. The January 1, 2005 U.S. cattle and calf inventory report is questionable about whether it will post an increase or decrease in cattle numbers. Whichever the case, it will likely be marginal. In short, we expect lower levels of beef production which should support above average cattle prices during the next two to three years.

This article was prepared by Dr. Walt Prevatt, Extension Economist and Professor, Department of Agricultural Economics and Rural Sociology, Auburn University. August 4, 2004.