

USDA will issue this afternoon **the results of its semi-annual survey of cattle operations** around the country. The attached table shows what four analysts interviewed by Urner Barry expect to see in the survey. This is far from a representative survey of market opinion but it offers a starting point for discussion. We will cover the results of the survey in our report on Monday. Below are some key numbers we will be watching:

- Of more immediate concern for market participants is **the supply of market cattle**, both in and outside feedlots. Each month we get the results of a survey of feedlots with capacity of over 1000 head, which is about 86% of the total supply. Have there been any significant changes in farmer feeding operations and small feedlots that would cause the supply to diverge much from what the monthly survey says? The January survey should offset some insights in that regard.

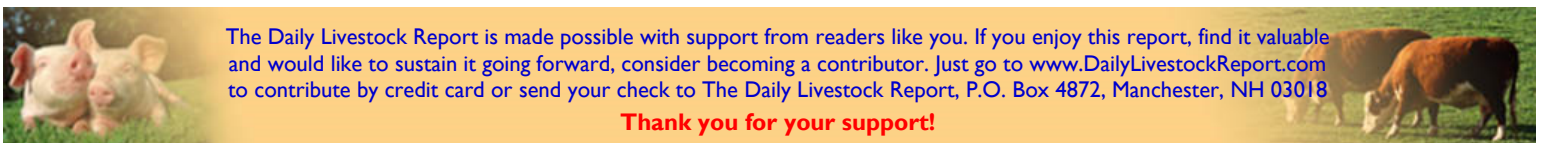
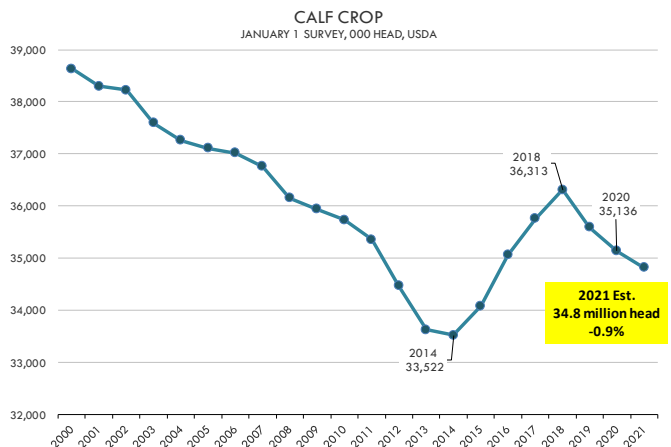
- The USDA report does not have an explicit line for **cattle outside feedlots** (feeder supply) but that number can be calculated using the inputs in the table to the right. The analyst survey did not have a line item for cattle on feed so we assumed the same number on feed as the monthly survey. If analysts are correct, there are about half a million fewer cattle outside feedlots than a year ago (-2.1%) and 1.4M less than there were on January 1, 2019. Fewer calves born each year will clearly drive that number lower although the magnitude changes a bit depending on how many heifers are retained for herd rebuilding activity. This number also depends on the assumption that the calf crop estimate is correct. If eventually more cattle than expected show up at slaughter USDA will go back and revise the numbers. So again, these are estimates based on a survey, USDA does not have people that go out there counting cattle.

- It seems a foregone conclusion that **cattle supplies will continue to decline in the next 2-3 years**. Analysts think that the beef cow herd on January 1 will be down about 560k head or 1.8% from a year ago. Producers are also expected to retain about 1.8% fewer heifers for herd replacement than a year ago. Fewer cows in the summer of 2022 mean fewer calves born in early 2023 and fewer cattle coming to market in the summer of 2024. Feeder cattle futures continue to put a significant premium out front for calves and it would appear that premium will continue to increase in order to incentivize cattle producers to retain more heifers and expand. But the experience of the last couple of years has been especially demoralizing if you are a cow-calf producer. The result was significant beef cow herd liquidation, with total cow slaughter in 2021 at the highest level since 2011, up 5.3% from a year ago and beef cow slaughter up 9%. The ratio of beef cow slaughter in 2021 vs the beef cow inventory at the start of that year was 11.4%, the highest in a decade. **Cattle numbers will continue to decline even as we hit record beef prices last year**. The ability to increase production through heavier weights is limited and it seems a fair bet to expect less domestic beef available for the next three years. The January survey results should help better define the parameters of that decline.

Analyst Pre-Report Estimates of USDA 'Cattle' Report

Source: Urner Barry based on 4 analyst estimates

	Average	Range
	% of year ago levels	
All Cattle/Calves on Jan 1	98.8	98.4 - 99.3
Calf Crop	99.1	98.0 - 99.9
Total Cow Inventory	98.6	98.3 - 98.9
Beef cows	98.2	97.8 - 98.6
Dairy cows	99.6	99.3 - 100.0
All Heifers +500lb.	99.2	98.4 - 99.6
Beef replacement	98.2	96.8 - 98.9
Dairy replacement	100.2	98.8 - 101.1
Other heifers	99.3	98.8 - 99.9
Steers +500 lb.	98.7	98.1 - 99.6
Bulls +500 lb.	98.9	98.4 - 100.0
Calves under 500lb	98.9	98.0 - 99.6



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