Is the Tennessee Beef Cattle Herd Growing?

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The January 1 cattle inventory report was released January 31, 2014. It was a much anticipated report since the July 1 inventory report was not released in 2013 due to budgetary issues. Most of the interest related to the report surrounded the beef heifer replacement numbers. Most analysts who follow the cattle industry closely were certain the all cattle and calves inventory was going to decline nationwide compared to a year ago. The all cattle and calves inventory declined 1.76 percent to 87.7 million head of cattle which is the lowest cattle inventory since 1951. Since 1996, cattle inventory has increased in only two years which were 2005 (0.4 percent) and 2006 (0.1 percent). Though total inventory declined, improved grazing conditions and a reduction in heifer slaughter the last six months of 2013 indicated potential replacement heifer retention in the beef cow herd. Nationwide, beef heifer replacement inventory increased 1.68 percent compared to a year ago and totaled 5.47 million head.

The number of beef cows that calved only declined 0.87 percent and totaled 29.0 million head. This is a small reduction in cows that calved, but it still has a major impact on animals that can enter the feedlot. Calves outside of feedlots total 26.8 million head which is down 2.60 percent from a year ago. Regardless if that seems like a large number or a small number, if we compare it to calves outside of feedlots in 1996 then we are looking at a 23.5 percent decline. This means there are extremely tight numbers to enter the feedlot, and the tremendous reduction in calves outside of feedlots will have major implications on the viability of feedlot and packer operations. With calf numbers outside of feedlots being so low, the industry is likely to see a few more packers and feedlots close their doors due to the reduced supply of animals. On the other hand, there will be fierce competition between feedlots and between packers to secure the necessary inventory to fill pens and to fill freezers which means the cow-calf and stocker producers should be able to capitalize on a strong market.

A little closer to home, Tennessee all cattle and calves inventory declined 3.83 percent to 1.76 million head which is a much larger reduction in inventory than the national average. Similarly, beef cows that calved declined 5.26 percent to 864,000 head while heifers for beef cow replacement declined 10.3 percent to 130,000 head. The cattle inventory report paints a bleak picture for the Tennessee cattle industry as the total cattle inventory in Tennessee had a decline that exceeded the national average decline by more than two percent. Similarly, when compared to the changes in national inventory from a year ago, Tennessee beef cows that calved declined right at 2.5 percent more than the national average while the difference in beef heifer replacements was nearly a 12 percent difference.

Many folks may be asking by now, why are producers in other parts of the nation trying to increase the herd size while Tennessee inventory continues to contract? There is not one single answer to this question. Part of the answer has to do with the fact than many fences have been taken out the past four or five years to make way for tractors and planters to get in the field and plant corn, soybeans or some other crop. To a lesser degree, the increase in urbanization and the average age of cattle producers in Tennessee which has resulted in some of those producers slowing down and producing fewer head of cattle has contributed to the decline in inventory. However, the Tennessee cattle herd was culled pretty hard in Tennessee in 2012 as producers marketed older and less productive cows. This culling process likely resulted in a younger cow herd. Therefore, the expectation of fewer cow marketings in the next couple of years is likely to result in an increase in Tennessee inventory numbers over that time period.

The younger herd age and lack of expansion when prices are high may not be a bad thing from an economics standpoint. When we consider the price of calves at this point, marketing cattle or selling a large number of the heifers appears favorable based on the prices received. The key strategy for anyone trading a good is to buy low and sell high and to avoid buying high and selling low. The current cattle market is definitely in a sell high position. If we look at it from the standpoint of someone who does not own cattle today but is considering entering the business then that person would be buying into the industry when prices are high. That does not mean they will be selling when prices are low, but it does make it more difficult to be profitable when buying in at high prices or when forgoing the sale of animals when animals are high for established producers.

The cow-calf business can and will be a profitable business the next few years. However, the decisions made today will impact the profitability and long-term viability of an operation. Though heifer retention in Tennessee was down as of January 1, it is expected that cattle inventory will increase in 2014 if Mother Nature is cooperative.