

## **U.S. beef herd continues to shrink**

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By Jennifer Stewart, Purdue University

Drought in the Southern Plains and several years of high feed prices have discouraged beef producers enough that the U.S. cattle herd continues to shrink, a Purdue Extension agricultural economist says.

Since 2007, beef cow numbers have dropped by 12 percent, and the number of heifers retained for replacements is down 5 percent, Chris Hurt said.

Cow slaughter has remained high this year ensuring even smaller cow numbers in 2012.

While less beef is being produced in the United States, more is being exported. Hurt said beef exports would be up about 19 percent this year. "A weak dollar and strong economic growth in developing countries stimulates demand," he said.

"Beef exports are expected to be a record 11 percent of total U.S. production next year. This is a sharp recovery from 2004 when exports represented just 2 percent of production after discovery of a BSE (bovine spongiform encephalopathy) cow caused many world buyers to drop U.S. beef. Imports also are down 5 percent this year, meaning the U.S. will be a net exporter of beef — an unusual situation.

"The smaller production numbers, higher exports and lower imports mean the amount of beef available for each person in the United States will be down about 6 percent in 2012."

Since feed prices began to escalate in 2007, the per-capita supply of beef available to Americans is down 17 percent," Hurt said.

"This means in 2012 there will only be 54.3 pounds of beef available per

person, compared with 65.2 pounds in 2007."

Less supply and strong demand mean beef prices are likely to soar in the coming year. In 2007 finished steer prices averaged \$92 per hundredweight.

The 2011 average will be about \$113 per hundredweight, and in 2012 Hurt expects prices to surge to new records above \$120.

While drought and high feed costs are likely to stifle any herd expansion plans for now, Hurt said the outlook for cow-calf operators appears positive in coming years.

"The breeding herd is not likely to begin expansion until the drought in the Southern Plains fades," he said. "If crop yields return to normal in 2012, prices for major feedstuffs and forages will be lower, and finished cattle prices will be very high. This is a combination that can add quickly to calf prices by the fall of 2012. The start of heifer retention in late 2012 would reduce beef supplies even more and be the foundation for even higher cattle prices in 2013."

Hurt said low beef production likely would keep calf prices high through at least 2015. "All of this favors Midwestern cow-calf operations that have reasonable forage supplies this year and can hold cows for the longer-run opportunities," he said.

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