

DROVERS

STATE OF THE BEEF INDUSTRY

2024 REPORT



FARM JOURNAL

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COMMENTARY

Shining Light Into the Cattle Inventory Black Hole

The industry typically receives a mid-year snapshot of cattle inventories from USDA. At this stage in the cattle cycle, the report would provide insights into the state of expansion.

Unfortunately, the survey and resulting report were canceled this year due to budgetary constraints at USDA's National Ag Statistics Service (NASS). CattleFax joined other industry groups emphasizing the importance of the report and requesting NASS reconsider.

In the absence of the report, CattleFax has estimated inventories for all classes of cattle to provide the important perspective. While these estimates are not based on the producer-level survey work NASS conducts, inventories can still be estimated within a relatively narrow margin of error via other data sets.

COWS AND HEIFERS

Beef cow inventories are estimated to be 400,000 below a year ago. Beef cow slaughter has been down sharply but not enough to overcome the record-low bred heifer inventory as of Jan. 1, 2024, most of which have now calved and would be counted as cows.

Beef replacement heifer inventories are likely steady to slightly higher but remain historically tight, estimated up a narrow 50,000 head from last year. Spring 2023-born heifers were likely retained and bred at a stabilization pace, with numbers roughly even with year-ago. A few more heifers might have been retained from the fall 2023 calf crop, although this is a smaller percentage of the nation's herd. The expectation is for a mild expansion pace of heifer retention this fall.

DAIRY COWS

Dairy cow inventories are also likely steady to slightly smaller, estimated 50,000 head lower due to a shortage of replacements coming into the year, despite a steep decline in dairy cow slaughter. The dairy replacement

“**CattleFax expects the 2024 calf crop to be 700,000 fewer head, a record low, reflecting a smaller breeding herd.**”



heifer shortage, largely due to the beef-on-dairy revolution, will remain a headwind to stabilization and growth of the herd in the near term.

CALVES AND FEEDERS

The July report also contained the first estimate of the current year's calf crop. CattleFax expects the 2024 calf crop to be 700,000 fewer head, a record low, reflecting a smaller breeding herd coming into the year. The smaller calf crop will continue to translate into tighter feeder cattle and fed cattle supplies down the road.

With total on-feed numbers up 100,000 head from year-ago, the feeder cattle and calf supply remaining outside of feedyards would be down 850,000 head or 2.5% from last year, also record small. The July 1 outside supply figure would include the new spring-born calf crop as well as the remaining 2023-born feeder cattle and calves.

BOTTOM LINE

Despite the absence of the July Cattle Inventory report, CattleFax estimates, based on numerous other data sets, cattle inventories will continue to tighten, but with

mixed signs of stabilization. Expansion and retention patterns will be closely monitored this fall with confirmation in January 2025's inventory report.

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U.S. Cattle Inventory on July 1 (million head)

	2023	2024	Change Between Two Years	
Total Cattle	95.40	94.20	▼1.20	▼1.3%
All Cows	38.50	38.05	▼0.45	▼1.2%
Beef Cows	29.10	28.70	▼0.40	▼1.4%
Dairy Cows	9.40	9.35	▼0.05	▼0.5%
Heifers >500 lb.	14.90	14.80	▼0.10	▼0.7%
Beef Replacement Heifers	3.90	3.95	▲0.05	▲1.3%
Dairy Replacement Heifers	3.60	3.55	▼0.05	▼1.4%
Other Heifers >500 lb.	7.40	7.30	▼0.10	▼1.4%
Bulls >500 lb.	1.90	1.90	0.00	0.0%
Steers >500 lb.	13.90	13.85	▼0.05	▼0.4%
Calves <500 lb.	26.20	25.60	▼0.60	▼2.3%
Feeder & Calf Supply	47.50	46.75	▼0.75	▼1.6%
Total Cattle on Feed	13.10	13.20	▲0.10	▲0.8%
Outside Supply	34.40	33.55	▼0.85	▼2.5%
Annual Calf Crop	33.59	32.90	▼0.69	▼2.1%

SOURCE: USDA; CATTLEFAX ESTIMATES



PHOTO: WYATT BECHTEL

Demand Remains Resilient

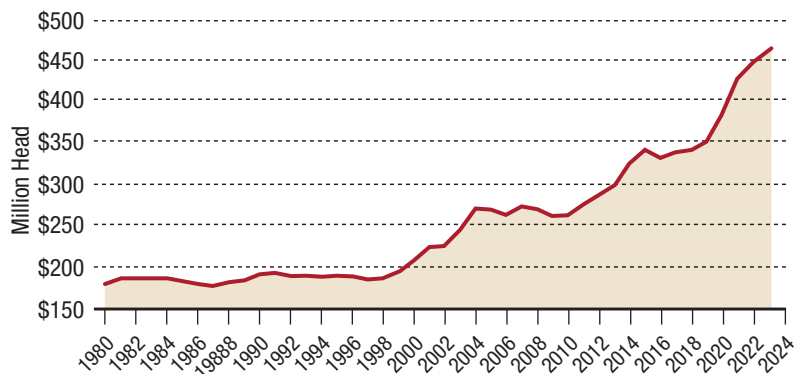
Consumers have had every opportunity to change their choice of protein, but they continue to choose beef, even at higher prices

BY NEVIL SPEER

The dominating theme in 2023's State of the Beef Industry report was weather. While parts of the U.S. still grapple with dry conditions, the overall situation has dramatically improved versus this time last year, especially in the middle part of the country.

The reprieve has provided producers some opportunity to focus on other parts of the business. The topic that's foremost of significance is the market — record prices have a way of doing that. Supplies are increasingly tight, but much of the market's strength is attributed to resilient beef demand. Last year's per capita beef spending totaled \$461 — a new record beating 2023 by \$14.

Per Capita Beef Expenditures



That's especially encouraging given consumers' No. 1 complaint about inflation involves food prices. The business is such that consumers have had every opportunity to trade down when

it comes to their protein options, but they continue to choose beef, even at higher prices.

Those consumer dollars are flowing back into the production sector. As a result, fed cattle

PHOTOS: ROB MATTSON/NOBLE RESEARCH INSTITUTE



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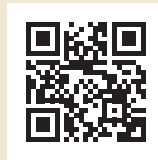
AgWeb.com/AgDay or AgWeb.com/AgriTalk.

prices have established another set of new highs in 2024. While overall beef production has waned (due to lower cow slaughter), fed beef production has been running ahead of year-ago levels. That is, higher prices on bigger volume.

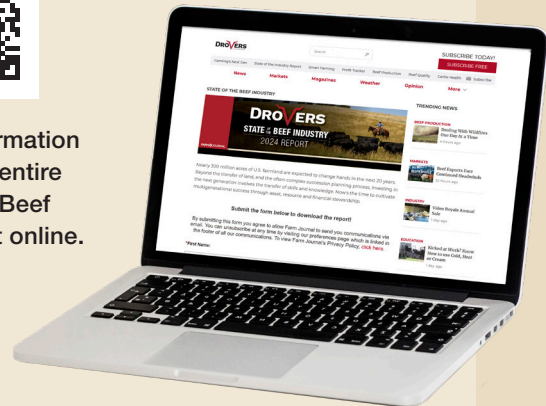
All of that is a testament to the importance of building, and maintaining, efforts to boost beef demand. The industry's success toward improved quality and consistency, coupled with meaningful promotion, is paying dividends for U.S. producers.

BATTLE FOR MARGIN

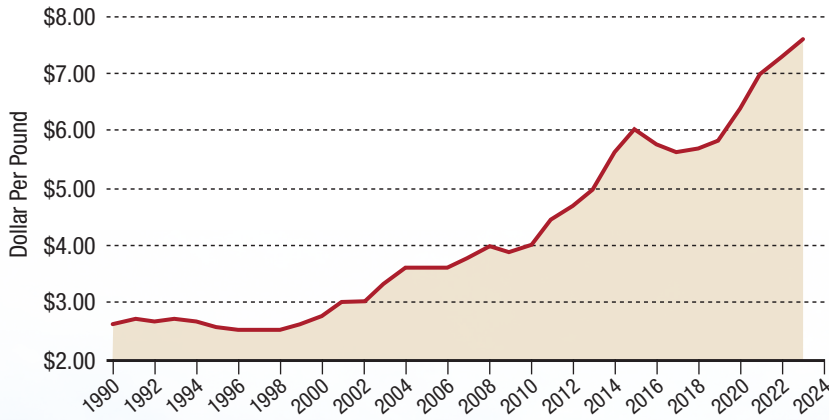
Nevertheless, while fed beef supply has held steady, it's likely that trend will be pressured in coming years. Beef cow inventory started



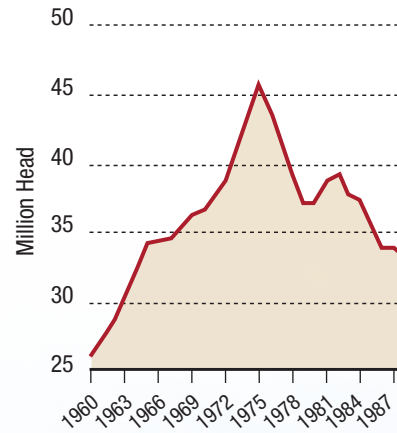
Find more information
and read the entire
State of the Beef
Industry Report online.



All-Fresh Beef Retail Price



Beef Cow Inventory



the year at 28.2 million head. The Jan. 1 feeder cattle supply outside of feedyards was just 24.2 million head, down 5% from 2023 and off 10% from the recent peak of 26.6 million head in 2017.

Therefore, numbers will remain tight in the coming years, and they will be further exacerbated if/when producers decide to hold back heifers to rebuild the cowherd. At

that point, the industry is likely to see the peak in prices.

Just how high can prices go? That remains to be seen, but the battle for margin between the feedyard and the packer, and ultimately the retail and food service sectors, will be especially important to watch. In the interim, the cow-calf producer holds the cards and will continue to benefit from

solid prices allowing the sector to string together multiple years of unprecedented profits.

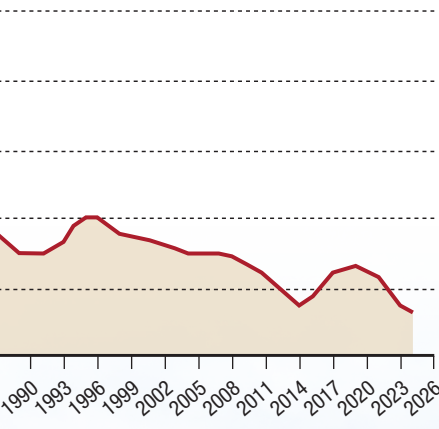
BEEF ON DAIRY

Last, but not least, the beef-on-dairy trend continues to influence the industry, proving to be an important contributor to the beef sector. In light of waning beef numbers, these calves will make



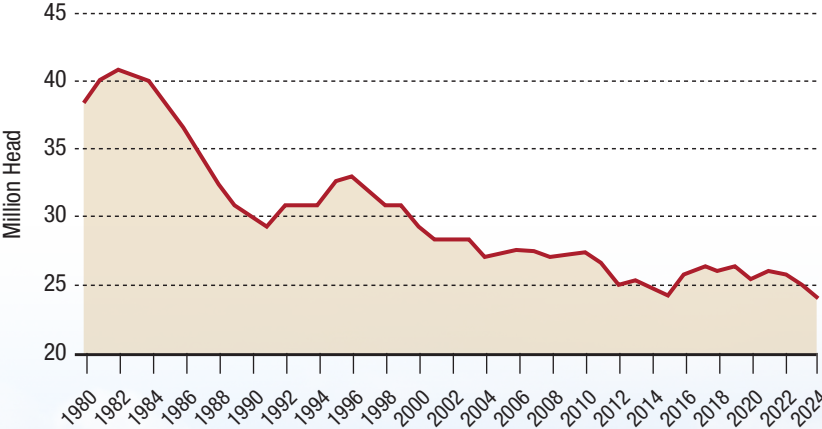
PHOTO: WYATT BECHTEL

Jan. 1

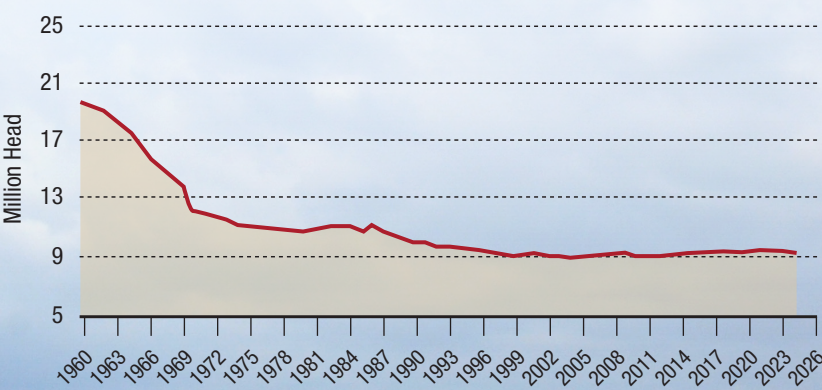


up a larger share of fed beef in the next several years (as dairy cow numbers remain relatively steady). As a result, many feedyards are working to improve the quality and consistency of their beef-on-dairy supply chains. All of that means increased feedback to suppliers as the calves are easily traceable. Much of that influence will likely creep into the native supply chains.

Feeder Cattle Supply Outside Feedlots



Dairy Cow Inventory – Jan. 1



State of the Industry Survey

Producers recognize the challenges but remain optimistic about the future

BY NEVIL SPEER

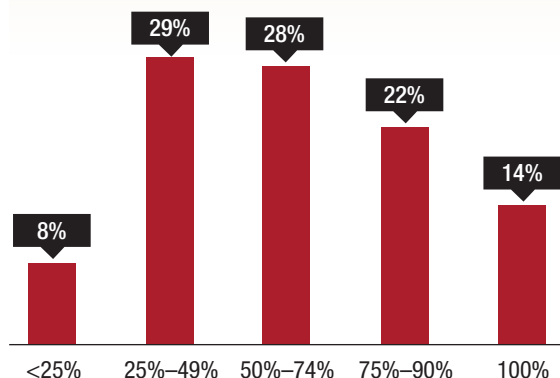
It's not easy to obtain meaningful producer feedback relative to their views on the business. However, based on this year's State of the Beef Industry survey results, it's clear most respondents are simultaneously serious, thoughtful and also optimistic about the business. That's an important theme as the industry grapples with any number of issues. The discussion that follows focuses on some of the key items of particular importance to the business in the long run.

Given this is the second consecutive Drover's State of the Beef Industry survey, of special interest is the comparison of this year's results versus last year. That begins with the demographics. Some of the similarities are striking.

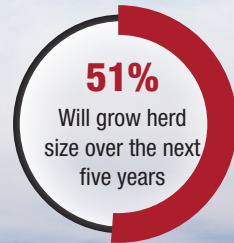
For example, 2023's survey resulted in 40% of respondents managing operations in which three-quarters or more of the business income is derived from cattle; that number was nearly identical this year (36%). Similarly, the 2023 survey indicated 82% of respondents preconditioned their calves before selling, and this year's number came in at 79%.

Therefore, many of the key year-over-year comparisons are especially meaningful and begin to tell some sort of story in terms of trend (versus one-offs) about what's really going on in the industry.

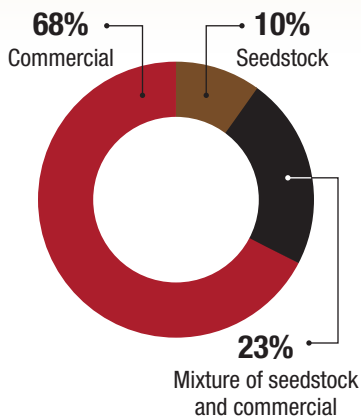
What percentage of your total operation's income is generated by cattle, excluding any off-farm or ranch income.



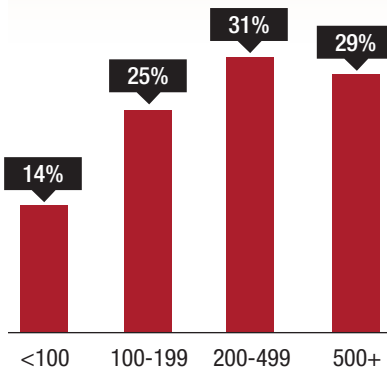
THE BIG PICTURE



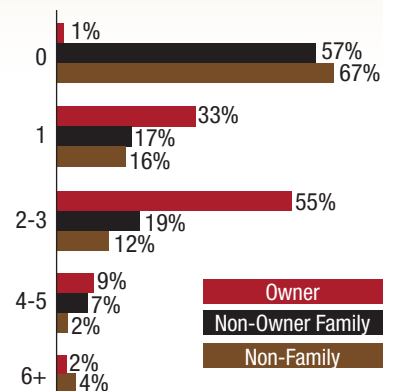
Which of the following best describes your cattle operation?



How many head of beef cattle are in your total herd across all the sites in your operation?



How many people actively work in your operation, including yourself?



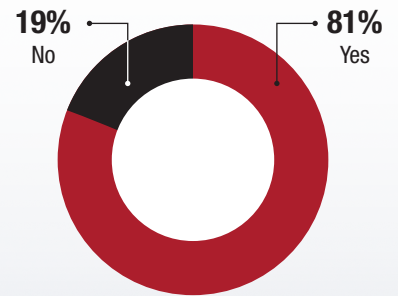
REBUILDING THE COWHERD REMAINS ON HOLD

One of the biggest factors on everyone's mind revolves around if and when cow-calf producers might begin rebuilding the cowherd. Much of that decision to date has been contingent on the weather. However, despite improving forage availability and conditions (and higher prices), producers remain tepid about running more cows.

The survey asked, "What are your plans to restock your cowherd (as a result of the drought)?" In both 2023 and 2024, 21% of respondents indicated "next year." The process remains on hold. However, some of that reluctance might prove to be permanent. One key difference in this year's survey has more producers indicating they have "no plans to restock" (23% versus 14% in 2024 and 2023, respectively).

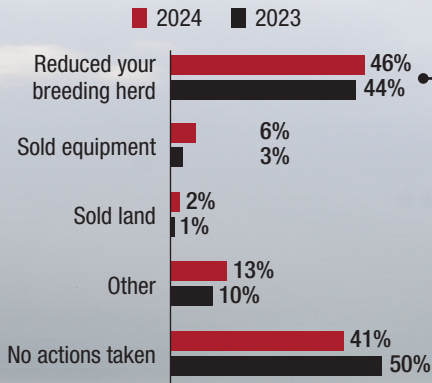
There's not much appetite to aggressively rebuild the cowherd. Producers are cautious when it comes to running more cows.

Has your operation experienced drought in the past few years?



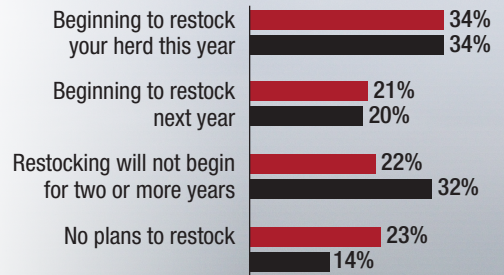
Regarding the widespread drought experienced over the past few years, which of the following actions have you taken?

Answered by those who said they have experienced drought. Multiple answers allowed.



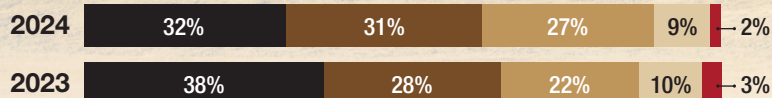
Which of the following actions do you anticipate taking?

Answered by those who reduced their breeding herd to mitigate the impact of drought.



To what extent do you agree or disagree with the following statement? Due to the drought, I seriously considered exiting the cattle business.

Strongly Disagree Disagree Neither Agree Strongly Agree



VIABILITY IS TOP OF MIND

However, that does not mean producers aren't planning for the future or planning to exit the business. To the contrary, 54% of producers in this year's survey indicate they plan to add a family member to the operation (versus 51% in 2023). Even though it doesn't appear the business will see rapid rebuilding, there are indications many of these operations are viable and plan on remaining that way in the future. That's certainly a sign of brewing optimism among the respondents.

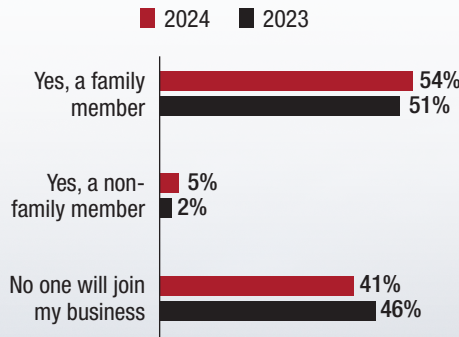
INTEREST IN LIVESTOCK RISK PROTECTION PROGRAM GROWS

Following last fall's sharp selloff, there was lots of coverage on USDA's Livestock Risk Protection (LRP). Of the 77% of respondents who were familiar with LRP, one-fourth use the program and almost half are considering using LRP. However, the remaining quarter of respondents indicate they "have no intention participating in the next year."

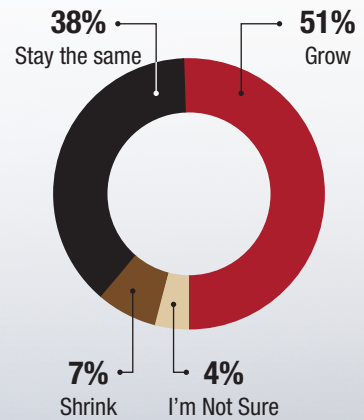
It's also interesting to note those responses line up with herd size. That is, the average herd size of those using the program was 345 head. The other two categories (considering and no intention, respectively) represent operations with 307 and 229 head, respectively.

CONSIDERING YOUR INDIVIDUAL CATTLE OPERATION, OVER THE NEXT FIVE YEARS:

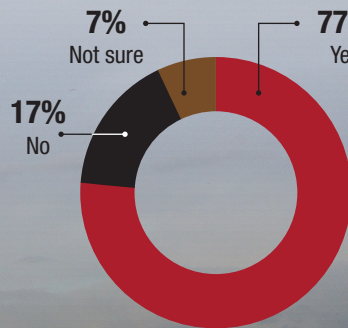
Do you expect a family member or partner to join your business?



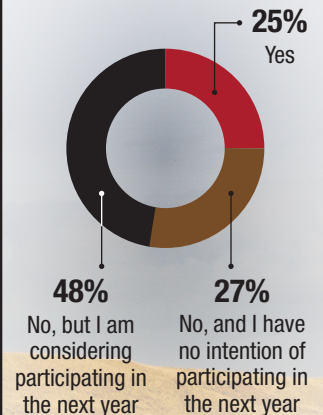
Do you anticipate your cattle operation's herd size will grow, shrink or stay the same?



Prior to this survey, have you ever heard of Livestock Risk Protection?



Do you currently participate in any LRP programs?



ELECTRONIC ID ON THE RISE

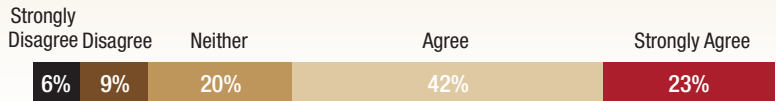
The topic has been highly debated within the industry for many years, but it has flared up during the past year. To that end, the survey asks, “Do you currently use RFID identification for your herd?” Twenty-two percent of producers responded with yes in 2023; that number jumped to 29% in 2024. While the topic becomes somewhat of a political hot potato, producers are increasingly moving that direction on their own.

Similarly, the survey also asked “To what extent do you agree that an industrywide traceability system is needed?” Sixty-five percent provided an affirmative response; only 6% indicated they strongly disagree. Producers with larger herds (500+ head) are more likely to strongly agree versus those with less than 500 head.

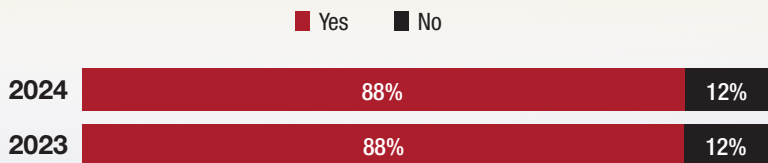
Do you currently use RFID identification for your herd?



To what extent do you agree an industrywide traceability system is needed?



Do you support the beef industry’s sustainability public information efforts?



Have you ever heard of the “Scope 3” emission standards?

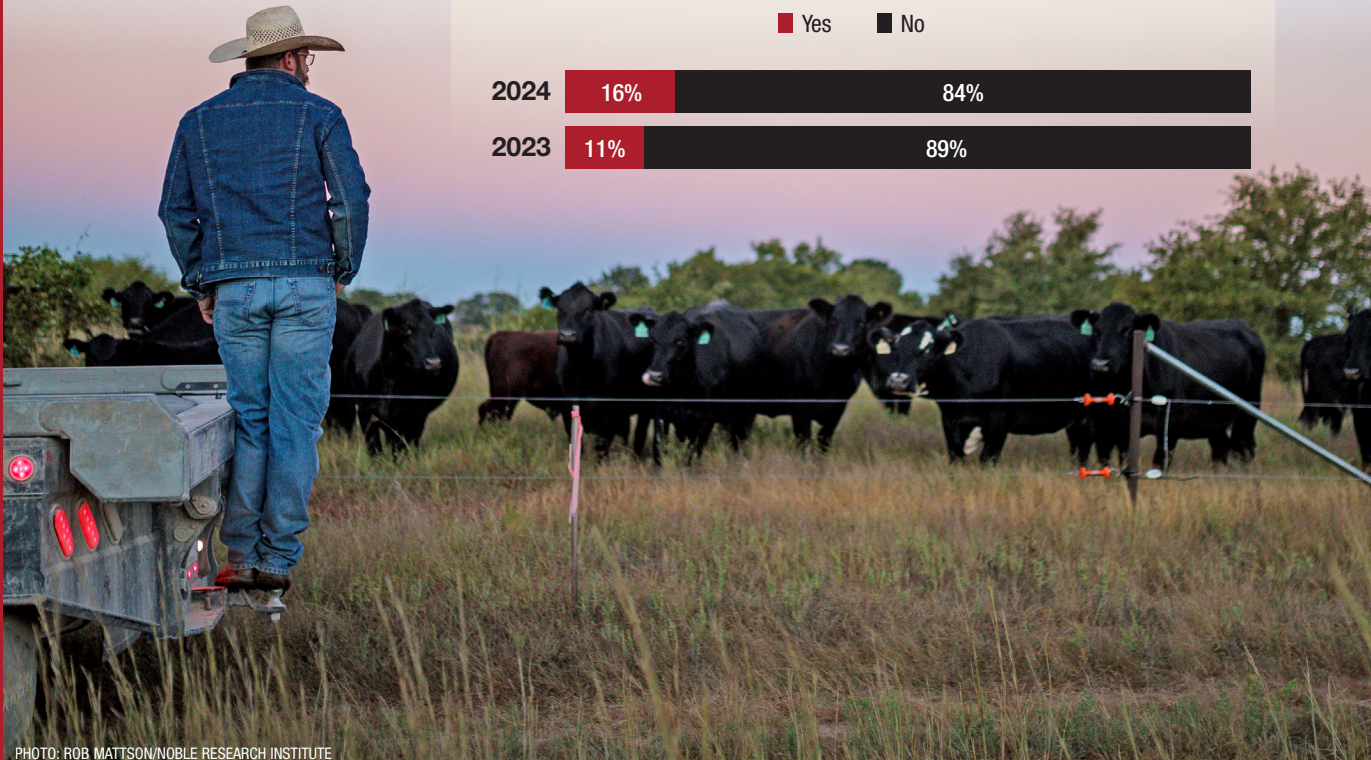
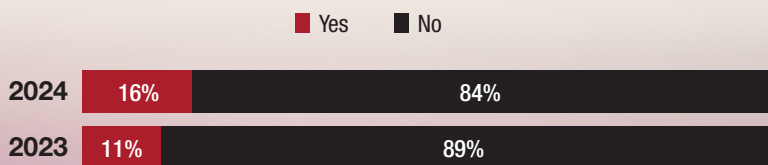
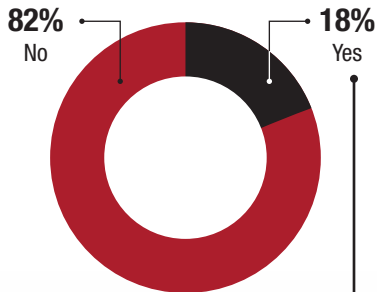
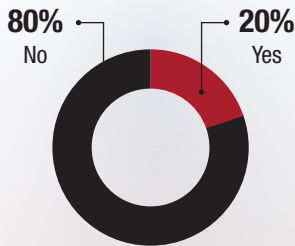


PHOTO: ROB MATTSON/NOBLE RESEARCH INSTITUTE

Are you aware of the Climate Smart Grant programs available for your operations?



Are you currently enrolled in a Climate Smart Grant program?



CONSUMER PREFERENCES COME INTO PLAY

In 2023, the State of the Industry Report asked about five aspects related to consumer pressure and expectations for change in the future: environmental impact, animal welfare, sustainable practices and desire of high-quality beef, respectively. In every instance, a strong majority of producers either agreed or strongly agreed each of those items will be increasingly important in the years to come. The numbers in 2024 line up almost exactly with 2023.

The survey report summarizes it succinctly: “Producers foresee continued industry change ahead, mostly driven by consumer pressure.”

Read each of the following statements and indicate the extent to which you agree with each using the rating scale provided. Over the next five years:

Strongly Disagree **Disagree** **Neither** **Agree** **Strongly Agree**

The beef industry will see greater pressure to lower environmental impact.



The beef industry will see much more scrutiny over animal welfare.



The demand for high quality carcasses will grow considerably.



I am very optimistic about the future of the beef industry.



Consumer demand for sustainable practices in the beef industry will increase significantly.



I anticipate significant genetic changes in my herd.



This year’s State of the Industry report lines up surprisingly well with last year’s survey — especially across several key items of importance. As such, the results provide some significant insight into producer thinking. The trends are fairly clear. Producers recognize the challenges ahead of them; they’re serious and thoughtful about the business. However, they simultaneously remain optimistic or there’d be no plans to add a family member to the business. Just like last year, more than 60% of respondents indicate they are “very optimistic about the future of the beef industry.”



Lance Zimmerman is senior vice president, senior animal protein analyst for RaboResearch Food & Agribusiness.



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COMMENTARY

Fast Forward A Few Years

Past cattle cycles provide an outline for the tendencies that typically shape inventory and production over years and decades. While U.S. beef cow inventories stabilize in 2024, the industry could experience a longer transition period as unprecedented risk mutes profit signals that normally kick-start herd rebuilding efforts.

USDA reported a Jan. 1 beef cow inventory of 28.2 million head, and Rabobank is forecasting a relatively stable cow herd over the next three years between 27.9 and 28.3 million. Cow-calf producers remain relatively quiet about the prospects of restocking pastures. That stands in contrast to the continuous dialogue regarding the production and price risks casting doubts on the segment.

The last herd rebuild started in 2014, but remember the short-term milestones that preceded it. The percentage of heifers in the fed cattle slaughter mix peaked in 2010, the beef cow cull rate spiked in 2011 and beef replacement heifer inventories didn't post a year-over-year increase until Jan. 1, 2012.

More recently the heifer slaughter mix peaked in 2023, and the cull

rate reached multiple-decade highs in 2022. Now, the focus is on heifer retention, and that remains a sticking point for this rebuild.

Macroeconomics outline declining supplies and steady demand, or increasing demand and steady supplies, lead to higher prices.

SUPPLY VERSUS DEMAND

For nearly three decades, the U.S. beef industry has been in a declining supply and increasing demand market. Absolute prices and volatility have increased significantly over that time, but per-head profit margins have not followed the same uptrend.

Commodity producers largely operate on thin margins, and competition within and across the beef and cattle producing segments has kept margins low, while volatility in returns has increased. That is why U.S. producers are expressing more caution during this rebuild.

The beef consumer's role in supporting each U.S. cowherd rebuild has been discussed many times. Tighter supplies motivate higher meat case and menu prices, allowing producers to receive a higher percentage of beef spending. The July average USDA all-fresh beef retail price pushed to new highs at \$8.15 per pound. Even with relatively steady beef demand, Rabobank expects annual average retail beef prices to approach \$9.50 per pound around 2027.



As early as 2026, 500-lb. steer calf prices could advance to annual averages near \$400 per cwt.



That means 500-lb. steer calf prices could advance to annual averages near \$400 per cwt as early as 2026, and replacement female prices follow the calf market. It is possible \$4,000 bred heifers are in the producer's future. CattleFax estimates current prices around \$2,800 per head. That is creating pause for a segment

dominated by part-time operators facing production risks and less of an appetite to take on more.

El Niño didn't offer the weather benefits needed to recover pastures in major cow-calf producing regions in 2023 and early 2024, and a return to La Niña in late 2024 will cast doubt on forage availability. A decade ago, interest rates were

3% to 4%. Today, those loans have an 8% to 9% rate. Aging producers are looking to transition out of the business, but younger producers are struggling to fill the void.

These pressures will likely amplify the rate of consolidation within the cow-calf segment and silence opportunities for smaller operations to expand profitably going forward.

Average Beef Retail Prices and the Calf-to-Retail Price Ratio

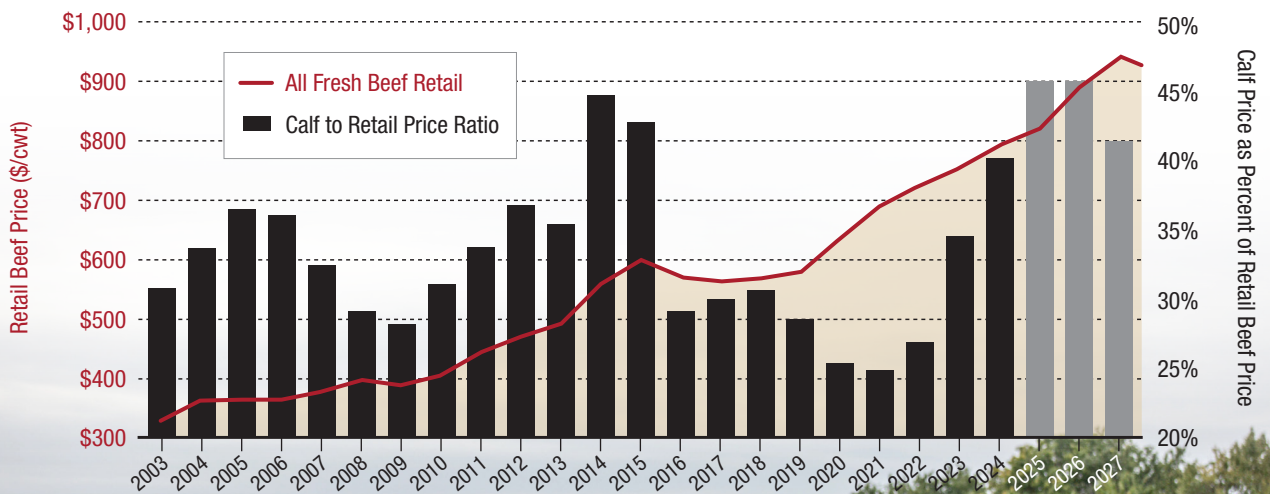


PHOTO: CERTIFIED ANGUS BEEF



John Nalivka is the president of Sterling Marketing Inc., Vale, Ore., and provides the weekly Sterling Beef Profit Tracker on *Drovers.com*.

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COMMENTARY

This Cattle Cycle Is Anything But Typical

America's beef cattle inventory continues to tighten, pushing market prices to record levels. Under normal conditions, that would lead to anticipation about building herds again. If this were a typical cattle cycle, the elements for expansion — ample forage and record-high cattle prices — would be in place. However, the current cattle cycle is not typical other than the recent liquidation when drought forced significant culling and resulted in the smallest U.S. cattle herd inventory in 70 years.

The pace of expansion or herd rebuilding in the current cattle cycle will be much slower than past cycles, and the extent of herd building will also be reduced. That has been the case for previous beef inventory expansions since 1975's peak of 132 million head as subsequent cycles have all peaked below the previous cyclical peak. For instance, the 1982 peak was 115 million head, 1996 at 104 million, 2007 at 97 million and 2019 at 95 million. What has changed?

Production-wise, efficiency has increased and the industry produces significantly more beef with fewer cattle, which impacts prices. When

expansion begins, smaller increases in inventory pull prices lower. But there are other crucial factors that influence individual ranchers' plans to continue in the cattle business.

VOLATILITY WILL INCREASE

The age of farmers and ranchers is critical as decisions are made going forward. Closely tied to age is the financial stress of the market over the previous four years. This plays a greater role for part-time cattle producers. The drought coupled with low prices and accelerating costs of production are key to the decision. I often hear ranchers comment: "Why would I or my spouse continue working in town to support cows that are draining our bank account?"

For many of those part-time cattle producers, the cows went to the sale yard. Will they be replaced? Only time will tell, but many will not return to the business. The other major consideration of this cycle is the price of replacement cows or heifers.

Ranchers are rightfully wary of a market that could become increasingly volatile. It's a major risk to invest in cows or breed heifers with high maintenance costs that won't deliver a marketable product for two-plus years.

The decision to own cattle or expand an existing herd will be influenced by high interest rates and rising production costs, further slowing the speed of any herd rebuilding. ✓

“

Ranchers are rightfully wary of a market that could become increasingly volatile.

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