

# Beef Margin Watch: January



Cattle futures rose over the second half of January while corn prices were relatively steady. USDA released the January semi-annual Cattle Inventory report which pegged the total cattle inventory down from last year, but not as low as some pre-report estimates were expecting. The total cattle inventory on January 1 at 89.274 million head was down 3.14% from a year ago, with the beef cow inventory 28.918 million head down 3.68% from 2022. The pre-report range of estimates anticipated a decline of between 4.0% to 4.4% from last year with an average of 4.2%. Beef replacement heifers at 5.164 million head would be down 6.15% from last year, and the calf inventory at 13.621 million head would be 2.68% below a year ago. USDA pegged total Cattle on Feed in January at 14.157 million head which was down 3.8% from a year ago with January placements of 22.937 million head down 1.34% from a year ago. All in all, the figures confirm a declining beef herd that is still contracting which augers much tighter supplies over the next two years. USDA also estimated beef Cold Storage inventories at the end of December totaled 544 million pounds, up 7.3% from a year ago and 8.5% above the five-year average. Expectations of tighter supplies this year may have caused more product to be placed in cold storage which could pressure the beef cutout if supplies don't drop as quickly as expected. Lower cattle slaughter combined with a decline in harvest weights suggests beef output in January was down about 2.5% from a year ago. Despite this, the choice beef cutout at the end of January was down 6.3% from both the beginning of the month and the same week last year. While the rib primal which is down 18.4% from the beginning of the year is responsible for much of the decline, the chuck and round primals are also lower which is not a good sign given the drop in production. Our clients continue to evaluate crush opportunities as well as potential strategic adjustments on existing positions.

## USDA January Semi-Annual Cattle Inventory Summary:

Report Type:

Data Class	Current (2023)	1 Yr. Diff	2 Yr. Diff	1 Yr. Diff %	2 Yr. Diff %	2022	2023
<b>Cattle Inventory - United States (Jan)</b>	89,274	-2,802	-4,515	-3.14%	-5.06%	92,077	89,274
Steers >500lbs - United States (Jan)	16,132	-573	-656	-3.55%	-4.07%	16,705	16,132
<b>Cow Inventory - United States (Jan)</b>	38,320	-1,040	-1,966	-2.71%	-5.13%	39,360	38,320
Dairy Cow Inventory - United States (Jan)	9,403	26	-40	0.27%	-0.42%	9,377	9,403
Beef Cow Inventory - United States (Jan)	28,918	-1,065	-1,926	-3.68%	-6.66%	29,983	28,918
<b>Heifers On Feed - United States (Jan)</b>	4,650	-25	85	-0.54%	1.83%	4,675	4,650
Heifers - Beef Replacement - United States (Jan)	5,164	-318	-639	-6.15%	-12.38%	5,482	5,164
Heifers - Dairy Replacement - United States (Jan)	4,337	-103	-271	-2.38%	-6.26%	4,441	4,337
<b>Bull Inventory - United States (Jan)</b>	2,029	-81	-181	-3.97%	-8.95%	2,110	2,029
<b>Calves Inventory - United States (Jan)</b>	13,621	-366	-684	-2.68%	-5.03%	13,986	13,621
Calf Crop - United States (Dec)	34,465	-701	-1,031	-2.04%	-2.99%	35,166	34,465
<b>Cattle On Feed - United States (Jan)</b>	14,157	-537	-510	-3.80%	-3.60%	14,695	14,157
Placements - United States (Jan)	22,937	-311	643	-1.34%	2.76%	23,289	22,937

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