



**The 2023 fall season will involve feeding hay but will not involve herd expansion.**

October 2023

### **Cattle Market**

There was a hint of speculation that producers may have started rebuilding this fall, but after looking at the quarterly USDA Cattle on Feed report, there is no indication of expansion happening in 2023. During the last expansion in 2015-2016, heifers only accounted for 31-34 percent of cattle in feed lots. As of October 1, 40 percent of cattle in feedlots (capacity >1000) are heifers. This is the largest percentage of heifers on feed since 2001, 41 percent, and 2 percent higher than the number of heifers on feed in 2012 during the last nationwide drought and heavy liquidation period. This indicates that 1) liquidation is still occurring as producers are taking advantage of high prices for feeder cattle and drought is still impacting parts of the country and 2) expansion is not expected to be seen anytime soon. Expansion happens after stabilization, and the beef cow herd is currently still shrinking, not stabilizing. The year 2024 will be a year of regrouping and planning. The high percentage of heifers on feed creates a trickle effect in the market. More heifers on feed means less breeding stock in the herd which results in a smaller calf crop, indicating that prices will remain high as cattle supplies will be lower in 2024. With cattle supplies expected to be lower in the future, beef production will continue decreasing. Beef production has declined by 10 percent year-over-year, and 5 percent since January 2023. A decrease in beef supply can be expected to result in higher beef prices, but so far consumer demand and consumption of beef have remained fairly steady. However, there is a threshold where consumers draw the line at what they are willing to pay. The rate at which expansion of the beef cow herd occurs will affect future beef prices and consumer consumption. So, it is important that cattle producers continue producing high quality cattle with high quality carcasses that feedlot buyers and consumers are willing to pay more for through economical management practices.

### **Hay Market**

Fall is finally starting to make an appearance, bringing cooler temperatures. As we all know, with cooler temperatures comes dormancy for perennial warm-season grasses, meaning hay feeding season is about to be in full swing, if not already. From fall of 2022 through the fall and winter months into 2023, hay supply (excluding alfalfa) was estimated to be 74.7 million tons, down 8 percent from the 2021-2022 fall/winter period as a result of decreased production due to drought impacts. This was the lowest supply of hay since 1993, according to the available data, with an average yield of 1.87 tons per acre. Going into this fall and winter period (2023-2024) hay supply is projected to total at 78.4 million tons, 5 percent higher than last year, with an average yield of 1.93 tons per acre. Hay prices are still high as residual effects from drought and high operating costs are still affecting production, but they have declined and are expected to decline on average by 7 percent throughout the fall and winter months.

### ***Thinking Economically in the Everyday Tasks***

In the midst of high cattle prices, some producers may be benefiting from an increase in net income and the opportunity to pay off debt and start preparing for expansion. However, feed and hay prices may still be only allowing for other producers to break even. As the fall season approaches and the nutritional requirements of cattle can no longer be met by predominantly grazing forage, it is important to calculate how much hay and supplement is needed to keep a cattle herd healthy. No matter the stage of cattle, understanding their nutritional requirements through each stage and meeting those requirements economically is crucial to being able to profitably sell healthy calves year after year. Cattle prices are rising, but they eventually will trend down. Using this time in the cattle cycle to really evaluate current supplementation plans is a great way to make sure an operation will remain sustainable when cattle prices are not supplying an extra cushion of support.

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