

Evan Disher
Dairy Adviser
Stewart-Peterson Inc.
edisher@stewart-peterson.com



Dairy slaughter for the week ending Sept. 5 was 57,400 head, which is a 3,500-head increase from the prior week and a 6,100-head increase from the same week last year. Year-to-date, dairy slaughter is 1,953,500 head, 79,000 head greater than the same time period last year. In the Sept. 18 milk production report, the USDA reported U.S. dairy herd size for August 2015 at 9.321 million head, which is unchanged from July. Year-to-date, the U.S. dairy herd has grown by 17,000 head.

The U.S. average price for dairy cows in July was \$113 per hundredweight, unchanged from June but down \$2 per hundredweight from July 2014. The seasonal pattern calls for prices to remain firm to lower throughout the next few months before trending higher into the end of the year.

On the Sept. 22 USDA cold storage report, August total beef stocks increased roughly 2 percent from July and were up 36 percent from the year prior. On Sept. 18, the USDA cattle on feed report put Sept. 1 inventory at 9.986 million head. This is down 0.16 percent from August but is up 3 percent from Sept. 1, 2014. The report also put August feedlot placements at 1.632 million head. This is up 5.5 percent from July but down 5 percent from August 2014. Finally, cattle marketed in August totaled 1.588 million head, which is down 8 percent from July and down 6 percent from August 2014.

Heavy selling pressure continues to lower the price of both live cattle and feeder cattle futures. The market has been trending lower for weeks as it continues to make new lows. Concern around economic conditions for U.S. dairy producers that could indicate an increase in the number of dairy cows culled has the market on edge.

Compared to a year ago, Class III milk prices for the third and fourth quarter of 2015 have been significantly lower than 2014 levels. This could induce more cull cows coming from dairies into the end of the year, an occurrence which is already taking place. So far this year, 57 percent of the U.S. federally inspected cow slaughter has come from dairy cows. This compares to 52 percent in 2014 and a five-year average of 46 percent.

If Class III milk prices remain low and the expected increase in dairy cow slaughter does in fact take place, it could continue to pressure cattle prices lower. Producers should consider having a plan in place to protect their cull prices now in case the market continues to weaken. **PD**

