

MARKET WATCH

CULLING

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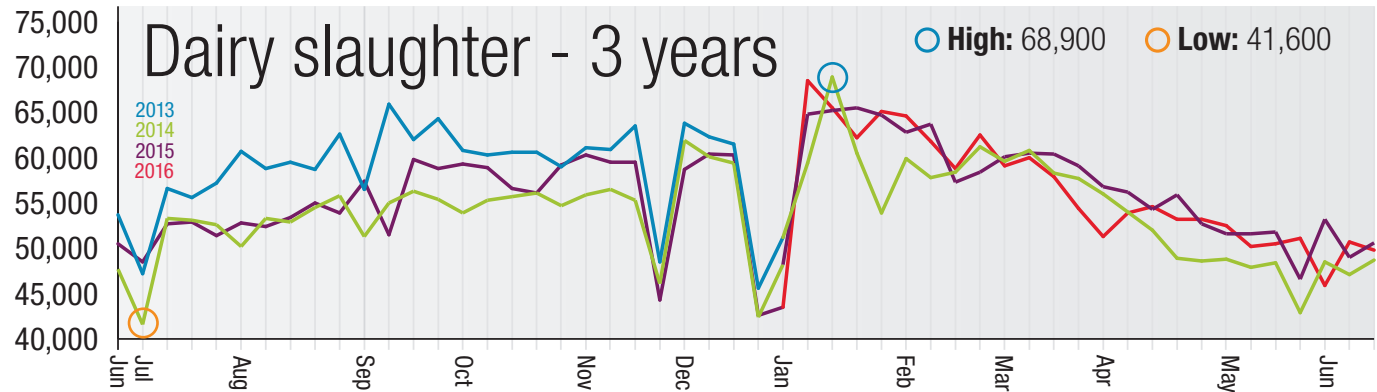


Dairy slaughter for the week ending June 11 was 50,700 head, which is a 4,800-head increase from the previous week's total and a 1,700-head increase from the same week last year. Year-to-date, dairy slaughter is 1.3075 million head compared to 1.3222 million head this same time last year.

In the June 21 Milk Production report, the USDA reported U.S. dairy herd size for May 2016 at 9.327 million head, unchanged from April. Year-to-date, the U.S. dairy herd size has increased by 18,000 head.

The U.S. average price for dairy cows in April was \$81.50 per hundredweight, up \$1.50 per hundredweight from March but down \$31.50 per hundredweight from April 2015. The seasonal pattern calls for prices to continue to gradually rise into the summer months.

In the June 24 USDA Cold



Storage report, May total beef stocks decreased 1 percent from April and fell 6 percent from last year. On June 24, the USDA Cattle on Feed report put June 1 inventory at 10.799 million head. This is a 2 percent increase from the same month last year. The report also put May feedlot placements at 1.884 million head, which is up 10 percent from May 2015. Finally, cattle marketed in May totaled 1.794 million head, which is a 5 percent increase from last year.

Since trending mostly sideways from December 2015 through June

2016, the live cattle futures market has recently broken support at the December lows. The break below support opens the door for more potential downside risk.

The most recent Cattle on Feed report showed no real surprises, as fundamentals remain slightly bearish in the near term. The results of the report were mostly within the pre-report expectations. Placements showed significant year-over-year increases in the Southern Plains, which was to be expected due to significant declines in that region last

year. Similarly, during May, feeder cattle marketed were 4.9 percent above 2015, and placements were up 9.6 percent. Overall, the June 1 cattle on-feed inventory rose 2.2 percent.

With cattle placements, cattle marketed and cattle on-feed inventory all increasing, fundamentals could remain bearish over the next few months. This could keep pressure on cattle futures in the near term. Producers should have a plan in place to take advantage of market volatility and to protect against these low prices. **PD**