MARKET WATCH | CULLING

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DAIRY COW SLAUGHTER - 2 years
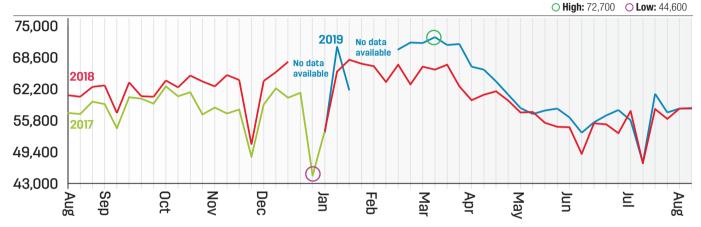
○ **High:** 72,700   ○ **Low:** 44,600

Total cow slaughter has a seasonal trend that moves lower in the summer before climbing to end the year. This year has followed the normal seasonal trend but may not later in the year.

Beef and dairy cows

Dairy cow slaughter has been only about 2.6% above a year ago over the last five weeks at the time of this writing, compared to much larger year-over-year growth earlier in the year. Large dairy cow slaughter earlier in the year in response to low milk prices and lack of profits has cut into milk production. Rising milk product prices in recent weeks has slowed the flow of cows to market.

Beef cow slaughter has been about 1% below a year ago over the last five weeks. Larger year-over-year slaughter increases were seen earlier this year. The combination of beef and dairy cow slaughter is up less than 1% in the last five weeks.

Higher prices than a year ago

Cull prices have tended to continue to slowly increase. So far in August, cull cow prices have been higher than a year ago in many markets across the country. Prices in the Southern Plains broke sharply lower in July 2018 and continued even lower into the fall.

In coming months, beef cow slaughter will increase as it normally does in the fall. A larger cow herd will likely mean more culled cows. But dairy cow slaughter may fall below a year ago as culling slows due to rising milk prices. The combination could result in total cow slaughter below last year and provide some support to fall cow prices.

On the meat side of the market, both the cow beef cutout and the 90% lean are above a year ago. Wholesale 90% lean boneless beef was $2.24 per pound in mid-August compared to $2.11 last year. Both the cutout and the 90% lean have been trending higher in recent weeks compared to last year's collapse.

The opportunity is for cow prices to be a little higher in the fall than a year ago based on slowing growth cow slaughter. While beef cow culling should be seasonally larger, dairy cow slaughter should slow.