

MARKET WATCH CULLING



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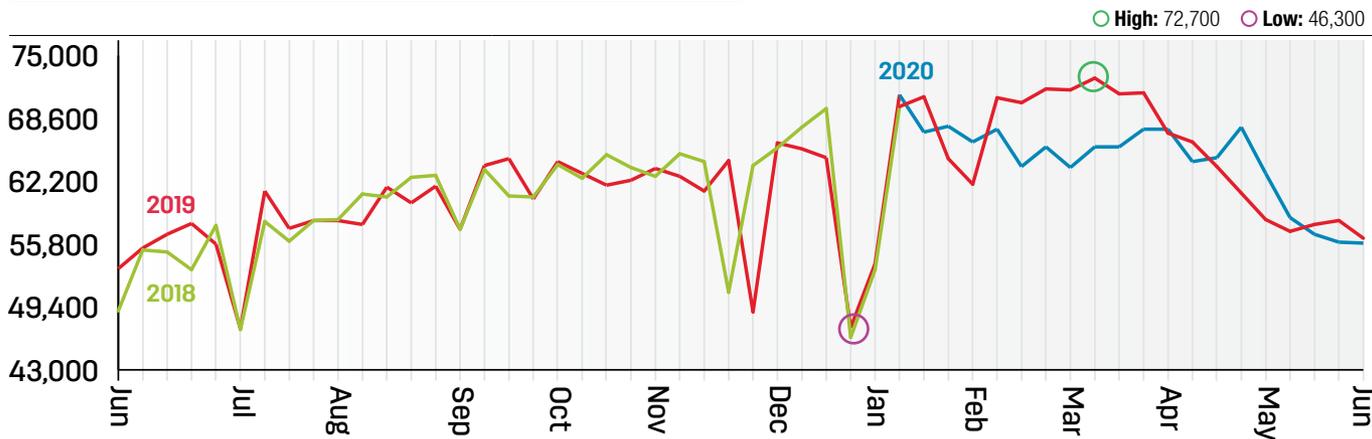
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The cow market, like the rest of the cattle industry and the entire country, continues to deal with the effects of COVID-19. Production and prices continue to adjust.

The collapse in milk prices led to milk production cuts in May, and part of cutting production involved culling more cows. Weekly dairy cow slaughter in April was 4.2% above a year earlier. May-June dairy cow slaughter declined, down 4.7%, as milk prices rebounded. Dairy cow slaughter typically declines seasonally in the spring, bottoming out for the year in June-July before rebounding higher through year's end.

Beef cow slaughter declined dramatically in April, down 16.5%. Beef cow slaughter appeared to be more affected by plant closures and

DAIRY COW SLAUGHTER - 2 years



slowdowns. Cow culling rebounded in May and June, up 7% so far in the month. For the year, total cow slaughter is almost the same as a year ago, up only 10,000 head. For the year, cow dressed weights have averaged 652 pounds per head compared to 647 pounds per head last year.

Cull cow prices have tended to be above a year ago since April. Tight supplies in April as slaughter declined boosted prices. Tight cow beef production boosted the boxed cow beef cutout value to a peak of

\$2.40 per hundredweight (cwt). As beef production has increased, the cutout has declined to \$206 per cwt. Ninety percent lean beef prices have declined similarly to the cow beef cutout.

Several important factors will affect cow prices in the coming months. The first is: Cow slaughter does tend to decline through July, and that should restrain supplies. Higher milk prices should also hold back culling. Lower calf prices will likely drive more beef cow culling later in the year.

On the beef demand side, grilling season is in full swing. But restaurants continue to struggle to reopen, and surging the coronavirus cases in many states will continue that slow process. Increased grocery store traffic will boost ground beef purchases, but the recession and high unemployment may boost consumer interest in cheaper ground turkey and chicken. 🐔

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