Daily Livestock Report

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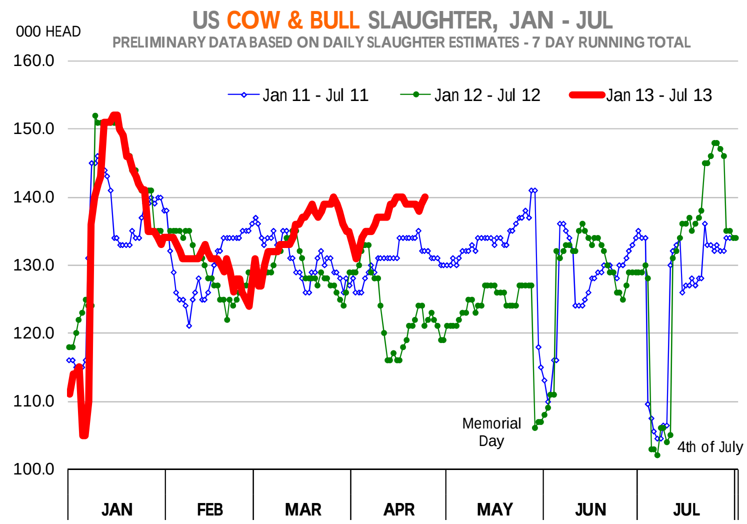
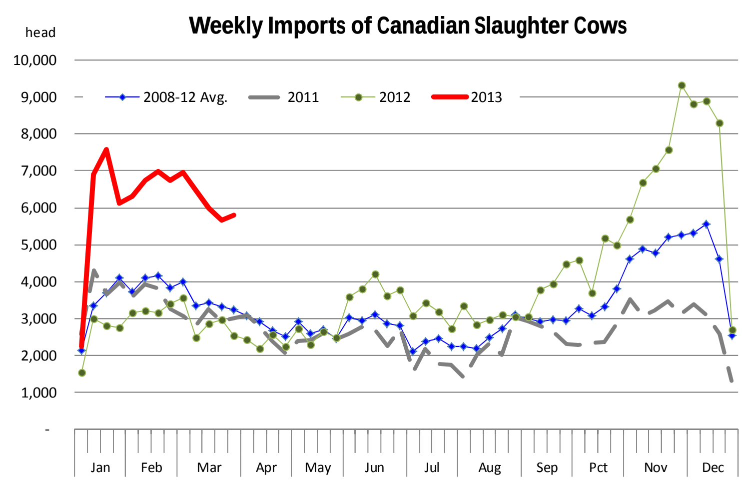
Coming into this year, the expectation was for US cow slaughter to trend lower, with some forecasts calling for a double digit decline in US cow slaughter rates. After all, record high cattle prices, a shrinking cow herd and lower calf numbers and improving cow-calf profitability were expected to provide an incentive to limit the number of female bovines coming to market and possibly encourage some heifer retention. With the first four months almost behind us, things have not shaped up exactly as expected. US cow slaughter actually declined sharply from the seasonal high in early January. March and April cow and bull slaughter, however, has been notably higher than a year ago. USDA reports the weekly official cow and bull slaughter with a two week lag so the latest available data is for the week ending April 6. However, we can get an estimate of the more recent trend in slaughter from the daily USDA slaughter estimates. The first chart to the right shows a moving seven day total of daily bull and cow slaughter. For the seven days ending April 24, US cow and bull slaughter was estimated at 140,000 head, 13.8% higher than the previous year and also above 2011 levels. Bull and cow slaughter has been above year ago levels since at least mid March, resulting in a notable increase in the supply of nonfed beef in the marketplace.

Looking at the regional breakdown in weekly cow slaughter, we can see a notable increase in slaughter in some regions although the regional slaughter data has become increasingly difficult to work with. Because of confidentiality constrains, USDA has discontinued reporting in a number of regions. Beginning in January 2013, USDA no longer provides weekly slaughter data for region 5, which includes IL, IN, MI, MN, OH and WI. This was an important region as it accounted for about a quarter of all US beef and cow slaughter in 2012. USDA also does not provide any information from region 7 and region 8. At this point, the regional cow slaughter data only covers about 59% of the US cow slaughter. Dairy cow slaughter was one of the drivers for the increase in cow slaughter numbers in late 2012 and in 2013, as high feed costs and negative margins forced dairy producers to liquidate their herds. More recently, however, it appears that the increase in cow slaughter rates has been drives by more beef cows coming to market. Cold and wet weather in a number of key production areas certainly have negatively impacted cow-calf producers. Also, the sharp decline in forward feeder prices has changed the profitability estimates on future calf production. Beef cow slaughter in region 6 (TX, OK, NM, LA, AR) averaged 20% below year ago levels through early March but in the last three reported weeks it has jumped some 20% over 2012 levels.

The pace of slaughter cow imports from Canada is another important factor to consider when looking at US weekly cow slaughter rates. As a special report by the Livestock Marketing Information Center points out, the closing of the Levinoff-Colbex cull cow packing plant in Canada, which processed some 2000-2500 culls cows a week, has meant that more of those cows are now coming to the US. Note the sharp rise in imports of Canadian cull cow imports since September of last year. Year to date, imports of Canadian cull cows are up 114% or 44,397 head compared to the previous year. Since the beginning of the year, US cow slaughter is up 0.2% from a year ago but when adjusting for the imports of Canadian cows, US cow slaughter is down 2.4%.



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