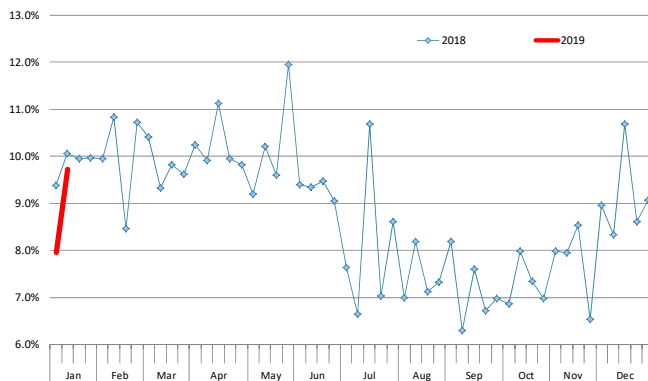


The analysis often presented about livestock and poultry markets uses shorthands to explain production and price trends. We often talk about cattle weights and prices, hogs slaughtered and chicken performance. The reality is more nuanced. After all we are talking about living creatures and not manufactured products. There are often big differences dictated by breed, location and weather conditions, which affect market prices. In the case of feedlot cattle, **one of the more prominent differences is that between dairy breeds and beef breeds.** It is something we don't think much but dairy breeds often account for over **10% of the number of fed cattle that come to market.** Due to space constraints we will not spend much time discussing the nutritional requirements and resulting different costs of gain for dairy and beef cattle. Suffice to say **dairy breeds require more energy, consume more feed and have lower average daily gain rates than beef cattle.** For a more detailed account of this we would suggest a paper from the University of Minnesota that [you can find at this link](#). Rather, we decided to review the more recent data regarding price discounts for dairy breeds and the supply of dairy breed cattle as a percentage of total fed cattle. The charts to the right were created using the information provided by USDA-AMS in their "National Weekly Fed cattle Comprehensive Report." For the week ending January 14, there were 40,596 head of dairy breed cattle reported in the Mandatory Price Reporting system, representing 9.7% of all fed cattle for the week. Keep in mind that MPR does not capture all fed cattle that came to market but we think the share percentage is fairly representative. But there is distinct seasonality with regard to the number of dairy breed fed cattle coming to market. Last year, dairy breed cattle accounted for roughly 10% of fed cattle that came to market in the first half of the year. In the second half of the year the share was 7.8%. It appears that this year is following a similar pattern as a year ago (see chart).

While dairy breed cattle trade at a discount to beef breeds, the discount varies during the year. Last year, dairy breed discounts were as high as \$23/cwt (dressed basis). Most dairy breed cattle are traded on a dressed basis but some trade on a live basis and for those cattle the biggest discount last year on a live basis was \$20.83. For all of 2018 the average discount of dairy breed cattle vs. beef breeds was \$16.29/cwt dressed and \$15.30/cwt live. While there are a number of reasons why dairy breeds trade at a discount, the main one is the difference in dressing percentage. Heifers will have an even lower dressing percentage due to the udder. Dairy steers will deposit more fat in the carcass and this generally results in a lower carcass yield. Part of the reason why the discount is lower during the summer and fall is because dairy breeds have been found to have higher yields during those times. Dairy breed cattle are more susceptible to weather effects and thus tend to perform better during the summer than in winter. Differences in the type of dairy breeds and the amount of time spent on feed also explain the seasonal variation. More beef breed animals tend to grade choice. In 2018, 79% of cattle coming to market were from beef breeds and graded over 65% choice (see chart).

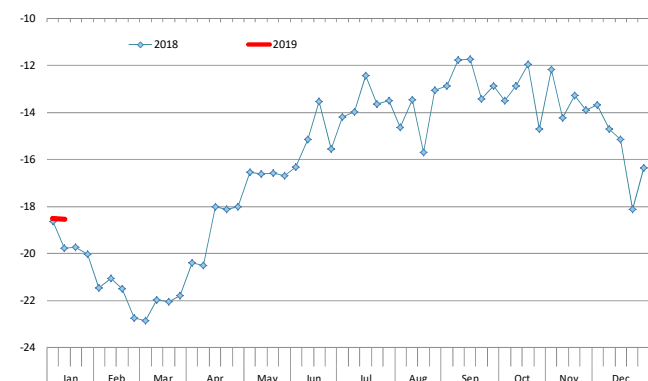
Dairy Breed Slaughter as % of Total Slaughter

Source: USDA-AMS National Weekly Fed Cattle Comprehensive Report



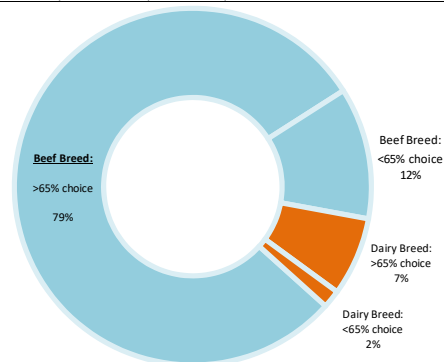
Discount of Dairy Breed Cattle vs. Beef Type Cattle. Dressed Basis. Weekly Data. \$/cwt

Source: USDA-AMS National Weekly Fed Cattle Comprehensive Report



Beef and Dairy Breed Cattle Shares in 2019

Source: USDA-AMS National Weekly Fed Cattle Comprehensive Report



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