

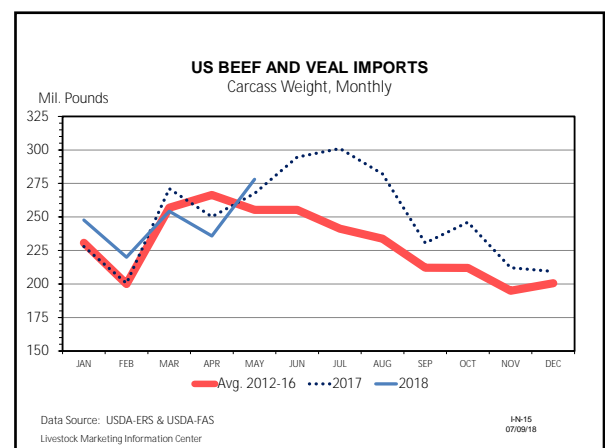
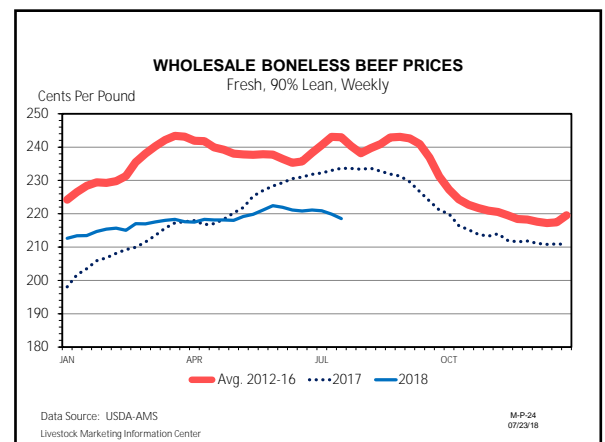
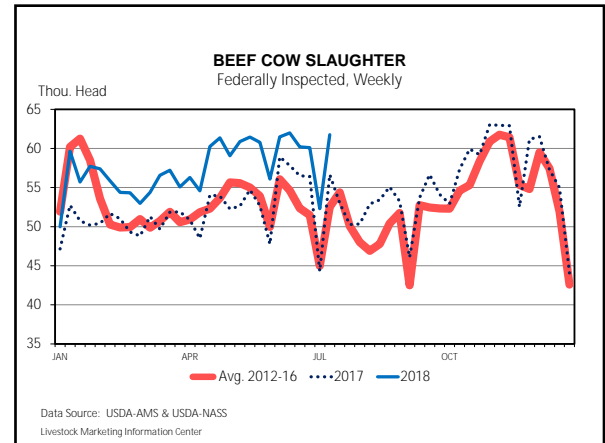
Beef cow slaughter through the middle of July has increased 11% over last year's figures pointing toward the ongoing moderation of this cattle cycles expansionary phase.

USDA Agriculture Marketing Service (AMS) releases weekly regional cow slaughter estimates for beef and dairy cows entering Federally inspected facilities. This report breaks the U.S. down into 10 regions, which shows heavy volumes of beef cows heading to slaughter on the west coast. Regions 9 (AZ, CA, HI & NV) and region 10 (AK, ID, OR & WA) are reporting volumes year-to-date of 29% and 163% higher than a year ago, an additional 95,000 head of beef-type animals entering the supply chain compared to last year. Some of this increase is due to additional slaughter plant capacity created by a new plant opening in Idaho.

Other regions are supplying higher volumes of beef cows as well. Region 6 (AR, LA, NM, OK & TX), which has the most drought impacts so far this year is up 10%, an additional 40,000 head. Similarly, region 7 (IA, KS, MO & NE) is showing a 6% increase in beef cow slaughter to date. Regions 5 (IL, IN, MI, MN, OH & WI) and region 8 (CO, MT, ND, SD, UT & WY) combined are up 10%. These two regions have only been reporting individually since the first of the year due to confidentiality reasons. Still, these regions are sending almost 400,000 head of beef cows to slaughter already this year, about 34,000 head more than last year. Only two regions are showing year-over-year declines. Region 1 (CT, ME, NH, VT, MA & RI) and region 4 (AL, FL, GA, KY, MS, NC, SC & TN) are each more than 10% behind the prior year.

Beef and dairy cow slaughter are mostly flowing into the ground beef market. Fresh ground 90% lean beef prices started the year averaging 3% higher in the first quarter of 2018 but have since fallen off. The second quarter prices averaged 2% lower than 2017, and in recent weeks 90% lean has been 5% and 6% below the prior year. Higher dairy cow slaughter is contributing to the additional supplies of leaner beef and has year-to-date increases pegged 5% above a year ago. Based on the monthly slaughter data, it is estimated that the supply of 90% lean cow trimmings are up 8% January through June. Cow dressed weights contributed to higher levels of trim, averaging 13 pounds higher in the first half of the year, compared to 2017.

Imports remain important factors for the ground beef market as well. First quarter imports of beef and veal were up 3%, and year to date (data through May) is up 2%. Nicaragua and New Zealand have shipped more beef this year and are up 19% and 12%. Australia, which contributes significantly to the lean ground beef supply in the U.S. is unchanged compared to last year in January through May. However, May showed a sharp uptick and was up 14% on the year.



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