

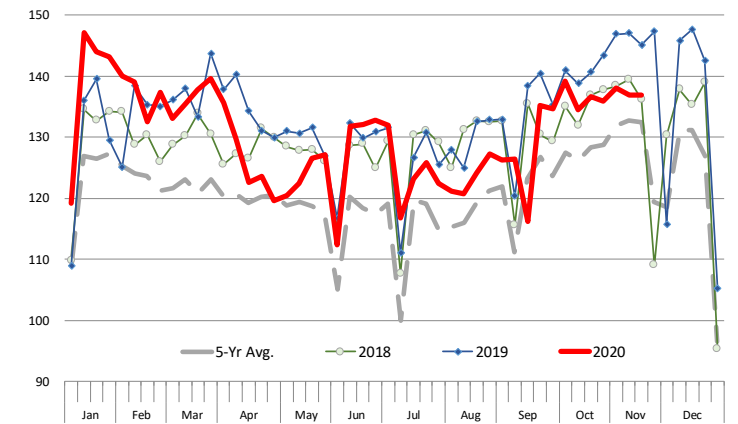
**Non fed cattle slaughter has been running well below year ago levels so far this year.** Last week USDA estimated total cow and bull slaughter at 137,000 head, down 10,000 head or 6.8% compared to the previous year. We think slaughter this week should be near the same levels and once again down 5.6% compared to last year. **As the chart below shows, the year/year decline in cow and bull slaughter is not an isolated event, rather it has been the case since last spring.** In April and May the decline in non-fed slaughter was due to COVID disruptions and plants sought to catch up in June. However, since July slaughter has been consistently below year ago levels and the decline has little to do with COVID and all to do with dairy prices. Official weekly statistics for dairy and beef cow slaughter is only available through October 24. For the period June 28 - October 24, total US cow slaughter was estimated at 1.980 million head, 75,600 head or 3.7% lower than the previous year. Dairy cow slaughter during this time was 926,970 head, 93,600 head or 9.2% lower than a year ago while beef cow slaughter at 1.053 million head was 18,000 head or 1.7% lower than last year. Back in April headlines made a lot of noise about milk being dumped and the impact from COVID-19 on foodservice and school lunch demand. Government purchases for the 'Farmers to Families Food Box' program quickly fixed that problem as distributors rushed to buy dairy products that could be quickly distributed to families in need. The rush to buy for the USDA program coincided with the reopening of the economy and recovery in foodservice demand, especially demand from quick service restaurants. CME block cheese prices in early July hit a record \$3 per pound and the barrel/block average was an all time record \$2.70.

While cheese prices took a step back in early August, more buying for the USDA Food Box program caused prices to bounce back and **US cheddar prices currently hold a 70% premium to EU Cheddar and a 58% premium to New Zealand product.** US dairy producers went from bust to boom, especially those that could take advantage of high prices for processed dairy products. Farmers that delivered to fluid milk producing plants may have not received the full benefit, [a discussion that was very well outlined in a Farm Bureau piece in early October.](#) For purposes of our discussion, it is sufficient to point out that robust prices in four of the last five months have encouraged US dairy producers to limit the culling of the dairy herd. According to USDA, there were 9.366 milk cows in the US in September, 16,000 head more than in June and 33,000 head more than a year ago. The ratio of dairy cow slaughter in September relative to the inventory was 2.79% vs. 3% a year ago and this year had one additional slaughter day. The ratio during Jun-Sep was 2.55% compared to the average of the last five years at 2.7% and last year at 2.83%.

**CME block cheese prices posted a sharp decline last week and there is a lot of uncertainty about dairy prices in late 2020 but especially in Q1 of next year.** The USDA buying program clearly has been supportive for dairy prices in the last few months but the change in the political landscape could bring about changes in the programs that have supported dairy prices so far. Current dairy herd is the highest since October 2018 and a downturn in dairy values could once again result in more culling. For the moment, however, lean beef values are getting an assist from dairy market, something that is much needed given wobbly grinding beef demand and the 34% jump in beef imports during Q3.

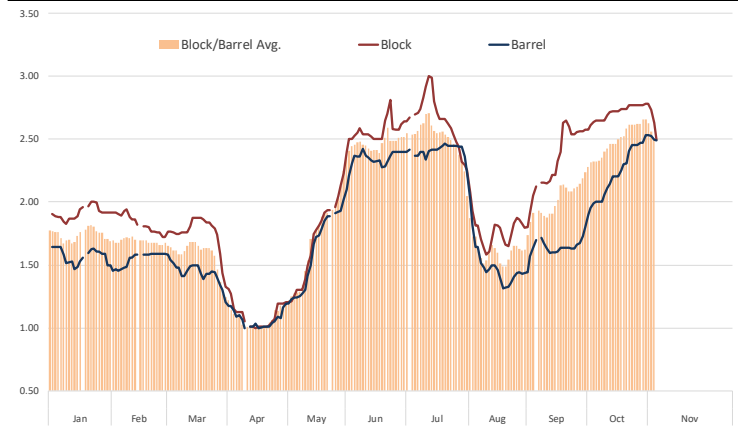
## WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS



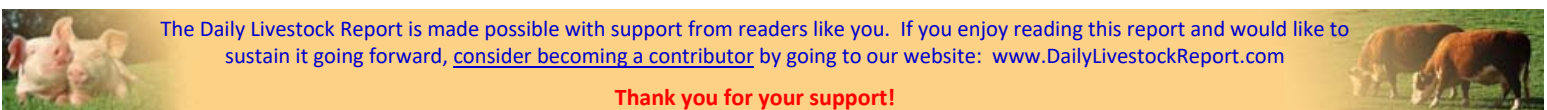
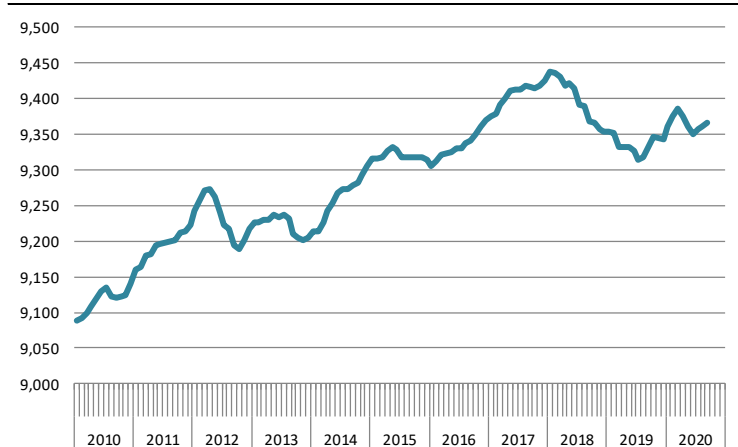
## Block/Barrel Prices in 2020. USD per Lb.

Source: CME. Analysis by Steiner Consulting



## Monthly US Dairy Cow Inventory, '000 Head

Source: USDA



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