

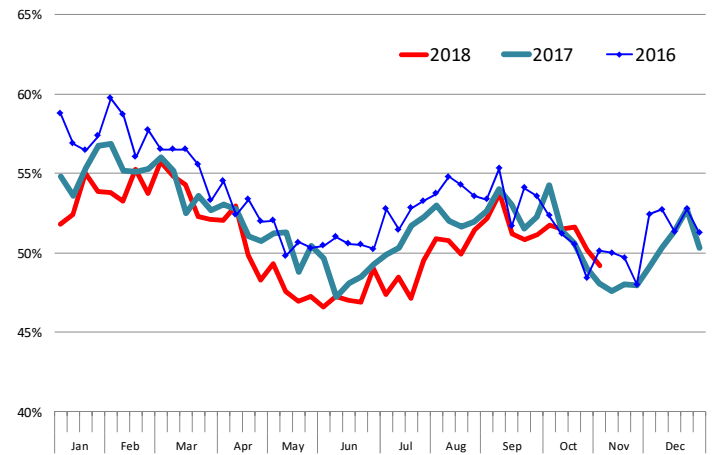
Notice: CME livestock products will trade during regular hours on Wednesday, November 21. On Friday, CME livestock products will open as usual but trading will end early at 12:15 CT. The holiday will also affect the release of a couple of important USDA reports. Both the USDA 'Cattle on Feed' report and the 'Cold Storage' report will be released today, Wednesday, November 21, at 11:00 CT. We will not issue a Daily Livestock Report update tomorrow in observance of the Thanksgiving holiday. We will offer a recap and our thoughts on the two USDA reports when we publish the next DLR on Friday, November 23.

Today we thought it might be opportune to focus on cow slaughter numbers and the impact this may be having on the market for lean grinding beef. Different from the market for fed beef, where much of the production comes from beef breeds that have been finished in feedlots, cow meat is a result of regular culling of both beef and dairy breeding animals. The culling decisions in part reflect the productive life cycle of animals in question but they also are affected by feed availability and profit outlook of producing calves for beef production or milk for dairy production. Dairy production margins have deteriorated significantly in the last two months and we have seen an increase in the number of dairy cows coming to market. Does this increase account for the increase in the amount of grinding beef available in the market place and lower 90CL beef prices? As is often the case, it is best to let the data do the talking. Because weekly data is more current, we tabulated the slaughter numbers from weekly slaughter reports rather than the monthly statistics which are available only through September. Based on weekly statistics, total beef and dairy cow slaughter for the period December 31, 2017 through November 3, 2018 was 5.212 million head, 349,540 head or 7.2% higher than a year ago. Dairy cow slaughter during this period was 2.653 million head, 116,741 head or 4.6% higher than a year ago. Beef cow slaughter was 2.559 million head, 232,799 head or 10% higher than a year ago. Low feed costs and robust dairy prices last spring encouraged producers to limit the number of cull cows they sent to market.

The dairy herd was quite stable in the first half of the year, hovering at around 9.4 million head. Has this changed since dairy prices took a dive in early September? The slaughter splits show an increase in dairy cow slaughter but not enough to overtake the growth from more beef cows coming to market. During the period Sep 2 - Nov 3, total cow slaughter was 1.093 million head, 55,838 head or 5.4% higher than a year ago. Dairy cow slaughter during this time was 559,700 head, 25,154 head or 4.7% higher than last year. Beef cow slaughter was 533,700 head, 30,684 head or 6.1% higher than a year ago. The increase in dairy cow slaughter and fewer heifers added into the herd have started to bring down the dairy herd numbers. The

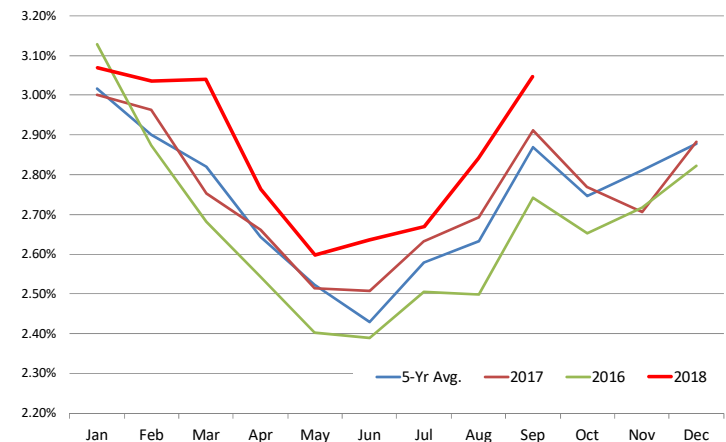
Dairy Cow Slaughter as a % of Total US Cow Slaughter

Weekly Slaughter data from USDA-AMS. Analysis by Steiner Consulting

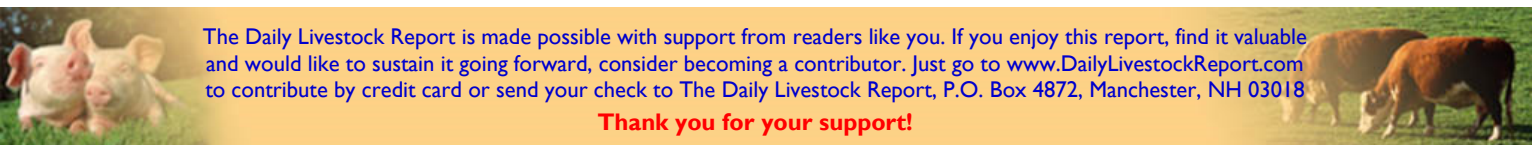


RATIO OF DAIRY COW SLAUGHTER (ADJUSTED) VS. MONTHLY DAIRY COW INVENTORY

Cow Slaughter Adjusted on a 21.92/day per month equivalent. Data from USDA. Analysis by Steiner Consulting



inventory of milk cows in the United States in October 2018 was estimated at 9.365 million head, down 30,000 head from a year ago. **Lean beef prices have been weak in the last few weeks but, in our opinion, this is mostly a function of increased competition for ground beef in the retail case and softer ground beef demand. As we have noted in the past, the volume of beef trimmings trading in the open market has increased sharply. There is also a significant amount of 85CL trim, likely a by product of fed slaughter, trading at a deep discount to 90CL cow meat.**



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