



# Market Advisor

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## What's up (or down) with cow prices?

Last year, cull cow prices were at record highs in spite of relatively large beef cow slaughter levels. Beef cow slaughter was high due to drought in several cattle-producing regions of the U.S., including North Dakota, and sharply increasing input costs, including feed, fuel and fertilizer.

But cow prices have averaged about

\$5 per hundredweight (cwt.) lower than last year. In mid-July, when this article was written, cow prices finally reached levels similar to last year.

There are several reasons for lower prices for the first half of this year. Although beef cow slaughter has been lower, total cow slaughter has averaged about 3% higher than 2008.

The dairy industry has suffered with very low milk prices this year, and dairy cow slaughter has been about 15% higher than last year. Increased milk production and lower domestic and export demand due to the weak world economic situation have caused weak prices.

A Cooperatives Working Together (CWT) dairy cow buyout program that accepted more than 100,000 dairy cows for slaughter during June, July and August has contributed to the increased slaughter. Details for the buyout are available on CWT's web site at [www.cwt.coop](http://www.cwt.coop).

Other factors that have led to lower prices include that last year at this time the price for 90% lean wholesale beef was surging with increases in all commodity prices. Prices now are \$15 per cwt. lower than 2008 as ample supplies of meat, especially pork, are available at lower prices than last year.

In addition, imports of manufacturing grade beef have increased 20% over last year's historically low levels. Last year imports of beef from Australia, the

leading supplier of manufacturing grade beef to the U.S., were down about 25% from historical levels due to the low value of the U.S. dollar. This year, imports from Australia have increased back to historic levels as the U.S. dollar has increased in value and other countries that import beef also struggle with poor economic conditions.

What's ahead for cow prices in the last half of 2009? Although prices in mid-July were similar to last year's levels, cow prices likely will not increase to the high levels reached last August. Prices instead will likely level off for the rest of the summer.

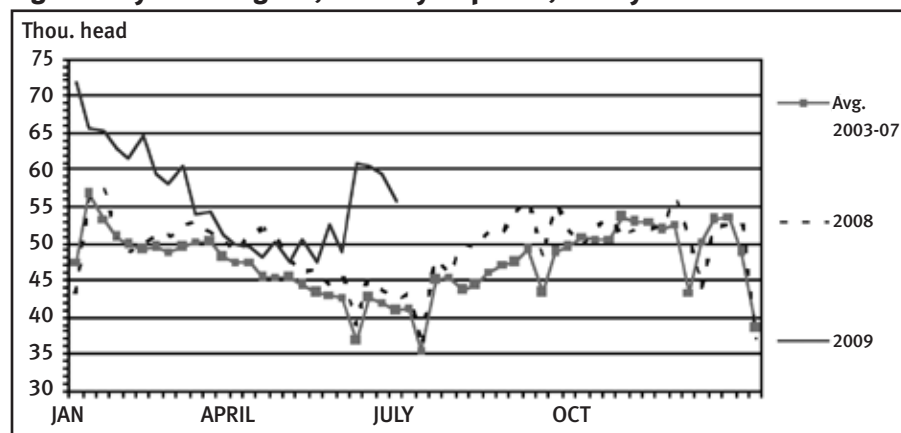
The typical seasonal price pattern for cows shows a sharp decline in prices in October and November when heavy beef cow culling occurs. That scenario is likely to occur again this year.

Other factors that may contribute to the decline are that CWT is in the process of implementing another dairy cow buyout that could occur during the late fall marketing timeframe. See their web site for more information.

In addition, the Western Canadian cattle-producing provinces are experiencing abnormally dry conditions. If that dry pattern continues, Canadian cow imports, which so far have been near last year's levels, could increase.

If possible, marketing cows before October or after December is usually a prudent marketing strategy. That could very well be the case again this year.

**Fig. 1: Dairy cow slaughter, federally inspected, weekly**



Source: Livestock Marketing Information Center.