



Market Advisor

by **TIM PETRY**, livestock marketing economist, North Dakota State University Extension

Cow prices may set record in 2008

Cull cow prices averaged record-high levels for the first half of 2008. Cow prices in the Northern Plains averaged about \$53.50 per hundredweight (cwt.) compared to near \$50.50 per cwt. last year and \$48.50 for the 2002-2006 average.

Record-high prices

The U.S. Department of Agriculture Agricultural Marketing Service (USDA-AMS) reports wholesale prices for beef from cull cows, which are used to estimate the weekly Cutter Cow Cutout value [90% lean, 350 pounds (lb.) and up]. The Cutter Cow Cutout value has been quite strong in 2008.

Since April 2007, the Cutter Cow Cutout value has been above the prior year. It usually doesn't follow a strong seasonal pattern, but the cutout value does tend to be rather strong during spring and summer months. Last year, the Cutter Cow Cutout peaked in May at \$119.48 per cwt. but softened for the remainder of the year. By January of this year, the Cutter Cow Cutout was at

\$113.58 per cwt., and then increased to more than \$119 per cwt. in February, which was \$4.70 per cwt. more than in 2007.

After declining some in March and April, the Cutter Cow Cutout skyrocketed to \$130.68 per cwt. in May, a new record high. In fact, on a weekly basis the Cutter Cow Cutout was more than \$130 per cwt. in each of the last two weeks of May. Compared to last year, the Cutter Cow Cutout has averaged nearly 6% higher during the first half of 2008.

The cutout and cow prices have been strong due to lower beef imports, a weakening U.S. economy and rising fuel prices that may have shifted consumer demand away from more expensive beef cuts toward hamburger.

Imports and harvest effects

Beef imports were down about 20% for the first half of 2008. The weakening of the U.S. dollar relative to other currencies has made our market less lucrative. At the same time,

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declining beef production in Russia has made it a good market for beef. Europe banned beef from Brazil in February; so, countries like Australia, New Zealand and Uruguay have been shipping beef to Europe and Russia instead of the U.S.

Beef cow harvest averaged about 5% higher for the first six months of 2008. Higher harvest was due to both continued dry weather in parts of the Southeast, Southwest and Northern Plains (particularly North Dakota) and cows being imported from Canada. Last year during this time period, cows were not allowed from Canada.

Cow prices are expected to stay seasonably high at near-record levels through summer. If trends during the first six months continue the rest of the year, the annual average cull cow price in 2008 could be record high.

But, keep in mind that normal seasonal weakness into fall will likely occur when cull cow culling starts. The typical seasonal low occurs in November, when the highest number of beef cows go to market.



Editor's Note: Addressing marketing issues affecting the livestock industry, "Market Advisor" is a monthly column distributed by the NDSU Agricultural Communication office. Petry is a livestock economist with the NDSU Extension Service. In that role, he provides assistance to all livestock segments in the state, focusing on adding value to the livestock industry in the region. An archive of columns can be found at www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm.