



Market Advisor

by **TIM PETRY**, livestock marketing economist, NDSU Extension

Cull cow prices remain record high

Cull cow prices will set another annual record high in 2012. Record highs are not that unusual, because records were also attained in 2010 and 2011. Cow prices were lower in 2009 due to the severe U.S. recession, which negatively affected most agricultural prices.

Higher cow prices in 2012 are the result of lower cow slaughter and strong demand for 90% lean, boneless beef. Cow slaughter will be down about 4.5% from last year in spite of very dry conditions throughout much of the country. USDA National Agricultural Statistics Service (NASS) released the last U.S. range and pasture condition report of the season at the end of October. It showed 54% of ranges and pastures in poor and very poor condition. That compares to 41% poor and very poor last year and 30% for the previous five-year average.

Beef cow slaughter will be down almost 13% in 2012, but dairy cow slaughter will be up about 6%. There are several reasons for fewer beef cows

being slaughtered in 2012 in spite of the drought.

First of all, calf prices are also record high and are forecasted to be strong again in 2013 with a smaller calf crop. Producers are trying to maintain cow numbers even with the dry conditions. An early harvest allowed cows to graze crop aftermath earlier than normal, and the hurricane season provided some much-needed rainfall in some areas, as well.

Also, 2011 U.S. beef cow slaughter was historically high at 14% above the previous five-year average as drought plagued much of the Southern Plains and led to beef herd reduction there. Even though beef cow slaughter in 2012 will be about equal to the previous five-year average, the United States started the year with fewer beef cows than in any of the past five years.

Will cow prices set another record high in 2013? The demand for 90% lean, boneless beef is expected to stay strong. U.S. consumers have a big appetite for hamburger, and the weak economy may

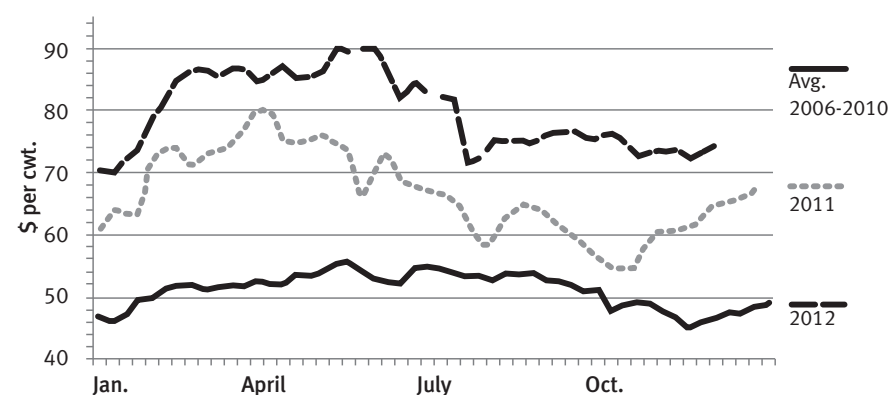
even favor hamburger demand over the more expensive muscle cuts.

Cow prices, like many agricultural commodities, will depend on spring and summer weather and moisture conditions. As previously stated, quite a bit of the country is abnormally dry.

A return to average range and pasture conditions by spring would likely further reduce beef-cow slaughter and be supportive to higher prices, but a worsening drought situation would pressure prices.



Fig. 1: Slaughter cow prices, Southern Plains, 85%-90% lean, weekly



Livestock Marketing Information Center.

Data Source: USDA AMS.

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