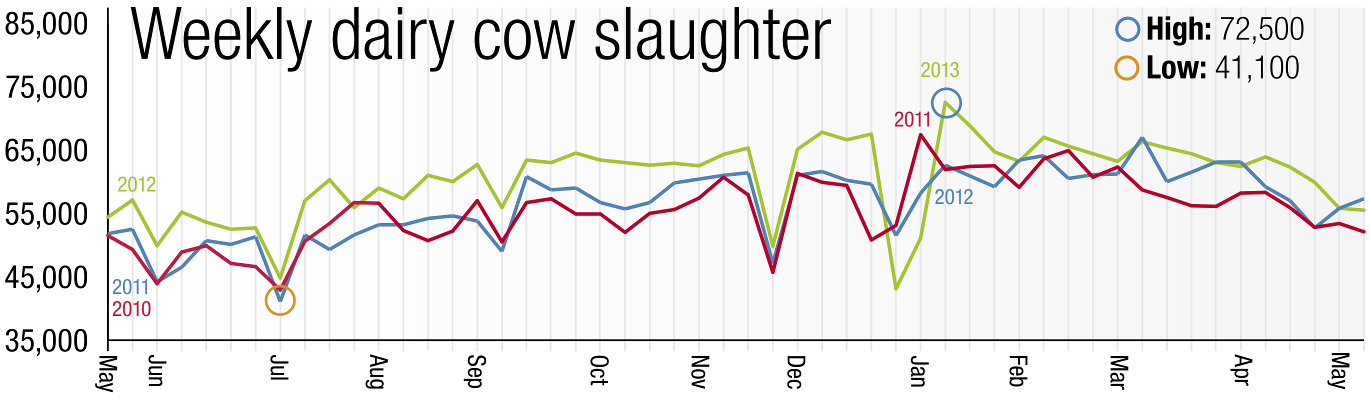

The U.S. average price for dairy cows in April was $81.70 per hundredweight (cwt), down $1.20 per cwt from the prior month.

Warren Wagner
Dairy Market Adviser
Stewart-Peterson Inc.
wwagner@
stewart-peterson.com

Dairy slaughter for the week ending May 4 was 55,800 head, which is equal to the number slaughtered from the same week last year. It was the third time this year slaughter has been below 60,000 head.

Through the first 18 weeks of the year, slaughter is outpacing 2012 by 53,200 head (4.88 percent). Slaughter has declined for the third straight week. If this year follows the normal pattern, we should see slaughter rates continue to decline through the first week of July.

The U.S. average price for dairy cows in April was $81.70 per hundredweight (cwt), down $1.20 per cwt from the prior month. This is the first decline since the average cull price bottomed last November at $76.8 per cwt. In the prior two years, once prices peaked, they trended lower until at least October.

Live cattle futures have been firmly entrenched in a downtrend since the December 2012 highs. On May 20, the August futures contract traded as low as $117.90 per cwt, down $15.1 per cwt since December 17. An increase in non-commercial traders' long positions and record-high cash prices are seen as short-term positives for live cattle futures. On May 14, non-commercial traders were long 40,648 contracts (futures plus options), up 12,706 contracts since April 8.

As of this writing, choice boxed beef cutout values hit a record of $210.04. Of course, the current discount to cash can be narrowed by the cash price dropping to meet the futures price.

Unfortunately, due to sequestration, the USDA will no longer include any information on cow numbers in their monthly milk production report. This data will be unavailable at least through the end of the fiscal year, occurring on September 30. ***PD***