Daily Livestock Report

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COVID-19 impacts at the slaughter level could be masking the fundamental liquidation phase happening in cow-calf country. A quick look at total cow harvest (beef and dairy type) suggests year-to-date figures are even with a year ago even after several weeks of dampened harvest levels. However, every week in 2020 has been above the five year average by at least 5%. The highest week was 20% over the five year average for the same week.

Beef cow slaughter on the other hand is 2% ahead of 2019 year-to-date. Before slaughter plant closures began, weekly beef cow harvest was running well ahead of year ago levels. Beef cow slaughter slowed significantly with the slaughter plant disruptions. The last 7 weeks of data has shown beef cow slaughter below a year ago between 2%-20%. With over a third of the weeks showing below a year ago, its significant to see year-to-date figures higher.

Cow-calf operations in 2018 and 2019 had bleak years. Livestock Marketing Information Center estimated that 2019 was the worst returns to cow-calf operations since 1996. Two years of negative returns, one of which was the worst in the last 24 years, the uncertainty surrounding COVID-19, and the future of beef demand has likely left producers with an unclear path forward. In addition drought continues to expand across the West, adding to **the** already shaky outlook. Nearly 75% of the U.S. calf crop is born in the spring, which leads to the conclusion that many of the beef cows that were sent to slaughter faced breeding and/or reproductive struggles.

Are cow-calf producers replacing cows sent to slaughter? Calf prices have improved in recent weeks, and although there is still a lot of uncertainty in the market, fall weaned calves look like they might see prices similar to a year ago, and even could be higher under the right set of economic and weather circumstances.

The July 1 Cattle Inventory is still months away from release (7/24/2020). Heifer slaughter, usually a breeding herd retention indicator, is year-to-date smaller than the prior year. This is misleading for a couple of reasons, but is not indicative of breeding herd growth. 1). Slaughter disruptions have caused lumpy data, and given the generally lighter dressed weights for heifers, those animals are more likely to get backed up than a heavy weight steer. 2). We would expect heifer slaughter to fall below a year ago after last year's large numbers of heifers on feed. 3) Anecdotally, producers are cautious in cow-calf circles. Slaughter capacity is coming back but what that looks like moving forward in the longer term is still unknown. Demand is likely to be an issue due to high unemployment and the potential to shift permanently to a much larger proportion of food consumed at home.

Fourth quarter calf prices are likely a hinge-point for the industry and will have a big impact on January 1, 2021 Inventory, but that largely means cow-calf producers need to "hang-on" to see that reality. Breeding decisions for the 2021 calf crop are starting to formulate. With uncertainty in the forefront of everyone's mind, it seems too optimistic at this point to assume much heifer retention is happening.

The gamble after two negative return years and a challenging outlook in 2020 is likely to effect those decisions. Drought conditions are also expected to play a big role in those breeding decisions, and weather will continue to be watched this summer as a potential indicator for stocking ability of pastures to carry breeding herds.

It seems likely the beef breeding herd will be smaller than a year ago, but the estimated range of possibilities is wide at this point. The coming July 1 inventory will be smaller than a year ago, and the same situation likely applies to January 1, 2021. This would be the 2nd consecutive year-on-year decline for the beef breeding herd.