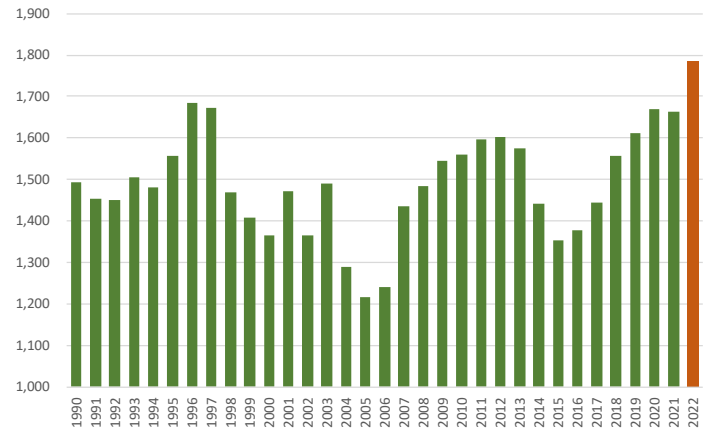


We now have cow slaughter numbers for all of Q1 and the situation was as bad as we initially feared. Total cow slaughter for the quarter was 1.787 million head, 124k head or 7.5% higher than Q1 of 2021. The chart to the right illustrates how far from normal this year's cow slaughter has been. The industry has been in liquidation mode for the last two years, with Q1 cow slaughter in 2020 and 2021 rivalling the high water mark of 1996 and 1997. This year's slaughter is far higher than those liquidation years. All the increase has been due to double digit liquidation of beef cows. Dairy cow slaughter in Q1 was 825k head, 2.3% lower than the previous year. Beef cow slaughter, on the other hand, was 959k head, 17% higher than last year's already high slaughter. Here's another way to look at how dramatic this year's beef cow slaughter has been. On January 1, USDA pegged the beef cow inventory at 30.125 million head, 719k head or 2.3% lower than the previous year. And yet producers send a record number of beef cows to market in Q1. The ratio of beef cow slaughter for the quarter vs. the January 1 cow inventory was 3.2%. This is 5 points higher than the previous high ratio of 2.7% in 2010. Beef cow slaughter was high in 1996 and 1997 but that is relative to a larger beef cow herd.

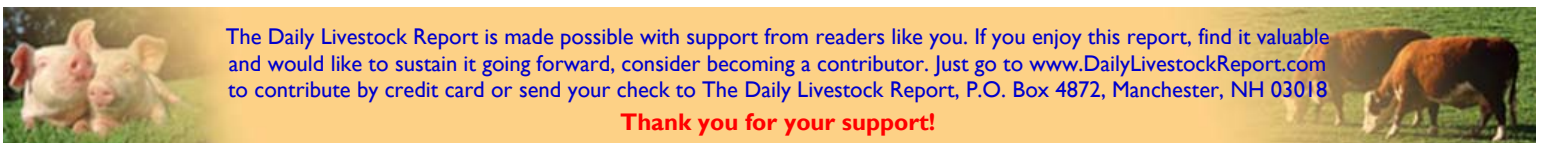
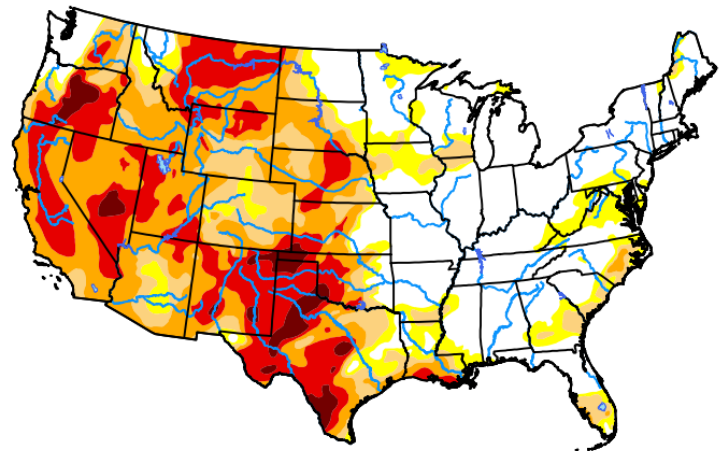
Beef cow slaughter has been unprecedented so far this year and this will have significant implications for beef supplies in the coming years. Drought conditions and high cost of supplemental feed, factors driving slaughter this year, continue to persist. Some areas have received much needed rains recently but more is needed. The cow sent to market are not coming back. The question is whether producers will see good enough pasture conditions this spring and summer to hold on to their remaining stock. If pasture conditions improve, we could see a significant shortfall in beef cow slaughter in Q2 and Q3. Lean beef prices have been held in check so far by the increase in cow slaughter as well as the increase in imports (see our discussion on this earlier in the week). Ground beef demand should be stout in May and June and combined with a lower cow slaughter this could prove explosive for lean beef values. If pasture conditions are similar to what we saw last year, then the hole in the beef cow herd will only get bigger. USDA is currently forecasting this year's calf crop to decline 2.2% from the previous year. Even that aggressively bullish calf crop number may prove too optimistic if current conditions persist. Beef price inflation has accelerated in the last two years. With significantly fewer cows in the country and fewer calves in the pipeline, beef supply will only get tighter in the coming years.

## Q1 Beef and Dairy Cow Slaughter. '000 Head

Source: USDA. Analysis by Steiner Consulting



## Drought Monitor: April 19, 2022. Source: UNL/NOAA



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