

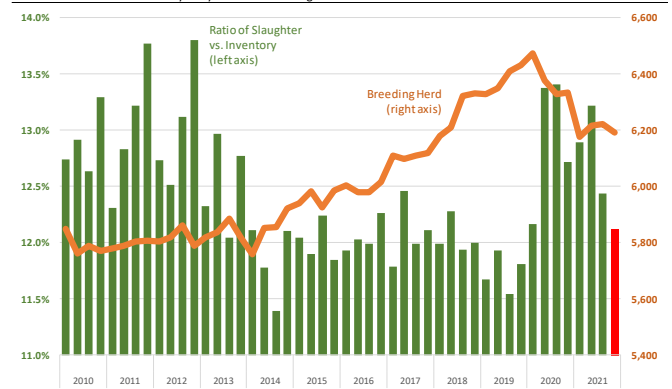
Livestock production data for September was published by USDA yesterday afternoon and we decided to focus especially on slaughter of breeding stock animals. Below are a few highlights:

**Sow slaughter for the month of September was estimated at 251,900 head, down 8.8% compared to the previous year.** Sow slaughter has been lower than the previous year for the last six consecutive months. However, comparisons to a year ago are skewed by the stress that COVID conditions put on producers, forcing some of them to liquidate their breeding stock. Sow slaughter in September was slightly higher than in September 2019 on a slaughter day adjusted basis. The chart to the right shows the ratio of quarterly sow slaughter vs. the hog breeding herd inventory at the start of the quarter. **One can observe the liquidation that took place in late 2020 and first half of 2021, with the ratio jumping over 13% compared to 12% average from 2014 through Q1 of 2020.** The low ratio of sow slaughter to the breeding herd suggested producers were holding on to their sows a bit longer while at the same time adding gilts to the herd, resulting in a steady increase in the breeding herd. Between 2014 and the end of 2019 the hog breeding herd increased by 576,000 head or 10%. During the Jun-Aug quarter, sow slaughter was 773,700 head, implying a 12.4% ratio to the June 1 hog breeding inventory. **This suggests that hog breeding herd liquidation has come to an end.** Given the decline in slaughter during September and early October data, we currently are projecting sow slaughter for the Sep-Nov period at 751,000 head, which would result in a ratio to the September 1 inventory of 12.1%. This is close to the pre-COVID average. Slaughter sow prices have declined from where they were in August but they remain about double last year's levels and over 50% higher than the five year average. This does not suggest producers are liquidating sows, at least in the near term, despite high feed costs, export uncertainty and rollout of Prop 12 in California next year.

**US cow slaughter has been running high all year and September was no different.** It is a truly unprecedented situation where wholesale beef prices hit near record levels in August and yet cow-calf operators were forced to sell off their cows. Normally high beef prices are a signal to producers to hold on to their production base because the market is looking for more product. But that price signaling system has been disrupted for the moment by limited labor availability. The result will be higher beef prices for consumers in the coming years as beef supplies are likely to continue to decline. September total cow slaughter was 551,300 head, up near 35,000 head or 6.8% compared to a year ago. Beef cow slaughter was 286,700 head, 20,700 head higher than the previous year or +7.8%. Since the start of the year, US beef cow slaughter has increased by 217,200 head or 9.1% compared to the previous year. The increase in beef cow slaughter has come even as the beef cow herd on January 1, 2021 was 181k head smaller than the previous year and 533k head smaller than two years prior. The dairy cow slaughter in September was 264,600 head, down 14,200 head or 5.7% compared to the previous year. In addition to more cows coming to market, producers are also sending more heifers to slaughter. September heifer slaughter so far this year (Jan-Sep) has been 302,200 head or 4.3% higher than the previous year despite a smaller calf crop in 2019 and 2020.

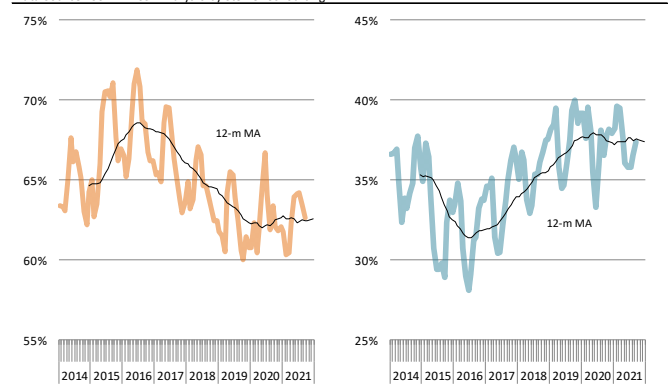
Ratio of Quarterly Sow Slaughter vs. Quarterly Breeding Herd Inventory

Data source: USDA-NASS. Analysis by Steiner Consulting



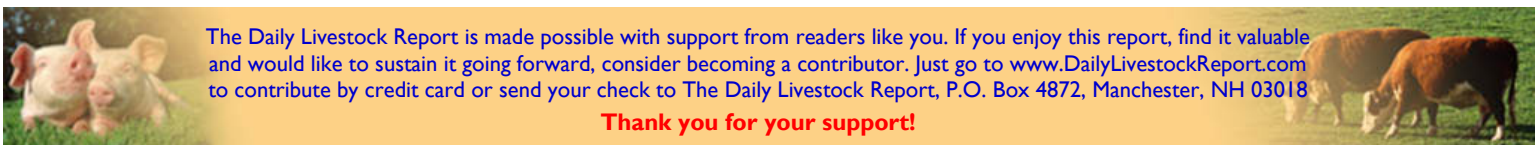
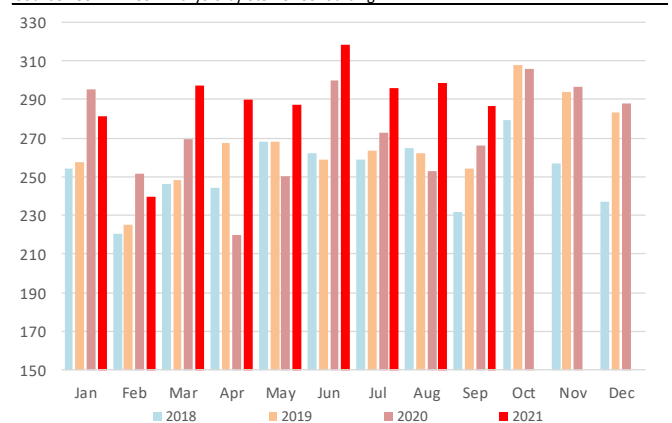
Steer and Heifer Monthly Slaughter as % of Total Fed Cattle Slaughter

Data Source: USDA-NASS. Analysis by Steiner Consulting



Monthly Beef Cow Slaughter. '000 head

Source: USDA-NASS. Analysis by Steiner Consulting



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