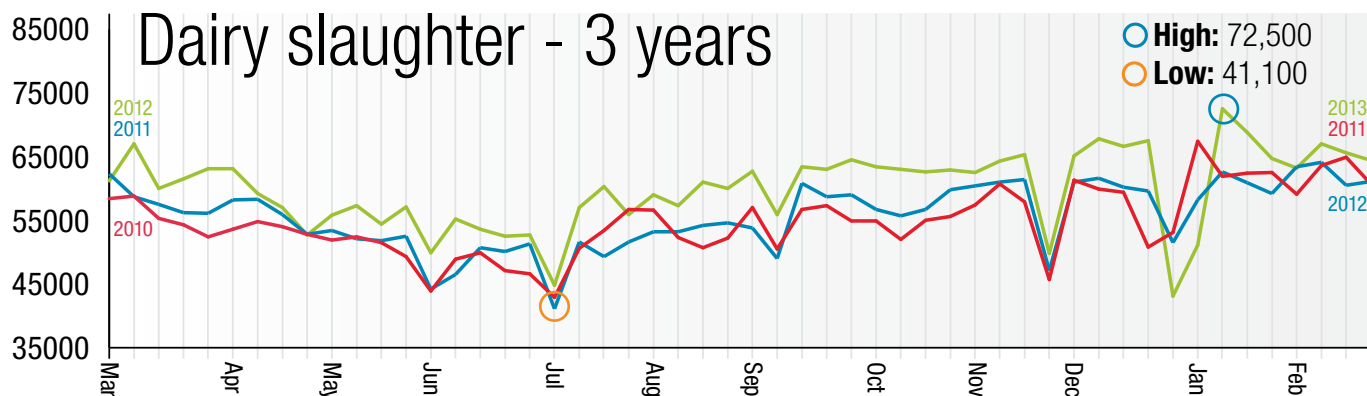


MARKET WATCH

CULLING



Through the first eight weeks of the year, slaughter has outpaced 2012 by 27,300 head (5.6 percent).

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Dairy slaughter for the week ending February 23 was 64,400 head, up 3,300 head from the same week last year. Through the first eight weeks of the year, slaughter has outpaced 2012 by 27,300 head (5.6 percent). Last year's high slaughter rate seems to be the new normal as 21 of the past 24 weeks have seen slaughter of at least 62,500 head, including a record 72,500 head slaughtered the week of January 12.

In the February 20 *Milk Production* report, the USDA pegged the U.S. dairy herd at 9.225 million head for the month of January, up 7,000 head from the prior month. In spite of the high slaughter seen throughout 2012, the U.S. herd is now 2,000 head greater than it was in December 2011. Although still 48,000 head lower than the April 2012 peak of 9.273 million head, the U.S. herd has now grown for the third straight month.

The U.S. average price for dairy cows in February was \$80.1 per hundredweight (cwt), up \$1.80 per cwt from the month prior and up for the third straight month. Cull price was down \$1.10 per cwt from February 2011 and is the first year-over-year decrease since January 2009. Should prices follow the pattern seen in recent years, we should see a peak in April to May.

Live cattle futures rebounded at the end of January after a post-holiday sell-off, only to run into a strengthening U.S. dollar in February. The U.S. Dollar Index hit the bottom of a six-month trading range at 78.9180 on February 1 and rallied from there, peaking at 82.6040 on March 6. In doing so, the index broke out of the top-side of the trading range where it is currently finding support. Live cattle futures took another shot on March 6 in a volatile day believed to be caused by fund liquidation and fears of short-term oversupply. Inclement winter weather has caused production disruptions, leading some to believe that more animals are available for slaughter short-term. On March 6, the April futures contract bottomed at \$127.3 per cwt, down \$10.70 per cwt from the December 19 high of \$138 per cwt. **PD**

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