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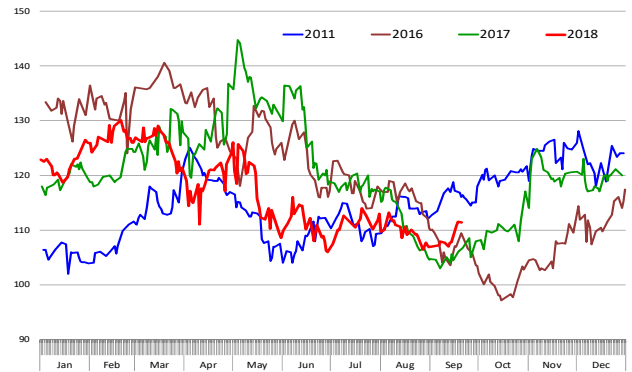
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The USDA 'Hogs and Pigs' report will be released tomorrow at 3PM ET and we will cover the report in our daily livestock that will be posted later tonight. Today we decided to focus a bit on the cattle market and some of the data that became available from the weekly reports released on Monday and Tuesday.

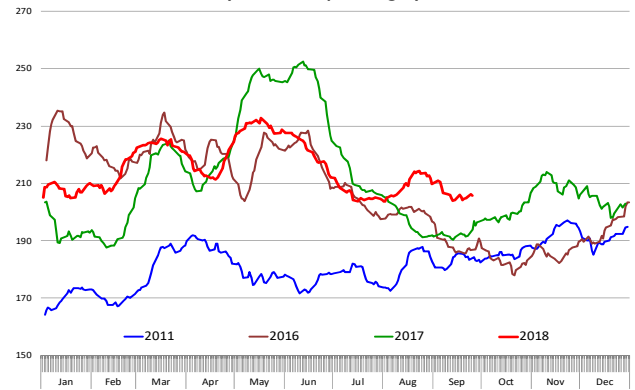
**Fed cattle prices have held together much better than expected in recent weeks despite a notably larger supply of cattle on feed.** The latest USDA cattle on feed report said the on feed supply as of September 1 was 5.9% higher than a year ago. The supply of cattle that had been on feed for at least 150 days was estimated at just a little over 2 million head, 32.7% higher than a year ago. Despite the larger numbers feedlots have been able so far to hold the line in terms of pricing. It helps that both domestic and export demand remains on a very solid footing. Sure, the price of beef cuts that compete directly with cheap pork and chicken at retail has struggled. The value of the round primal is currently down \$12/cwt or 7% compared to a year ago and the value of the chuck primal is down \$4.7/cwt or 3%. But what packers have lost in terms of end cut value they have more than made up in the middle meats. Robust export demand continues to underpin brisket and plates. The value of the rib primal was last quoted at \$366/cwt, some \$49 or 15% higher than a year ago, the value of the loin primal was 9% higher while plate and brisket primals were quoted 15% and 11% higher than a year ago, respectively. The choice beef cutout was quoted last night at \$205.73/cwt, 6% higher than a year ago. Fed steer prices last week traded around \$174.5/cwt dressed and \$111 live, about 5% higher than a year ago. Packers have paid more for cattle because they can afford to do so. The key in our mind are middle meats. As long as you can keep them moving at decent value, the packer will keep bringing cattle in and run shifts on Saturday. As we noted in a previous DLR report, foodservice business has improved significantly this year and foodservice dollar sales are up some 9% compared to a year ago.

**Packers have bought fewer cattle on a forward basis and this has helped bolster the number of cattle traded in the spot market.** This can be good or bad, depending on how beef demand holds together. The latest weekly data shows that as of September 24 packers had bought 167,983 head for October delivery. This compares to 221,041 head that were purchased at this point last year and 227,684 head in 2016. Packer gross margin for last week is calculated at \$364/head. Assuming a \$200/head needed to break even net margin calculates at a very attractive \$164/head and about \$10 higher than last year. To calculate this we used an average cutout value of \$202/cwt from the comprehensive cutout and \$174.65/cwt dressed cattle price from the comprehensive cattle report. By product value for last week was \$9.17/cwt live or \$125/head, down \$23/head compared to a year ago. Weak hide values continue to negatively impact the drop credit.

Live Fed Steer Price. Daily Close. USDA-AMS Mandatory Price Reporting System. \$/cwt live basis.

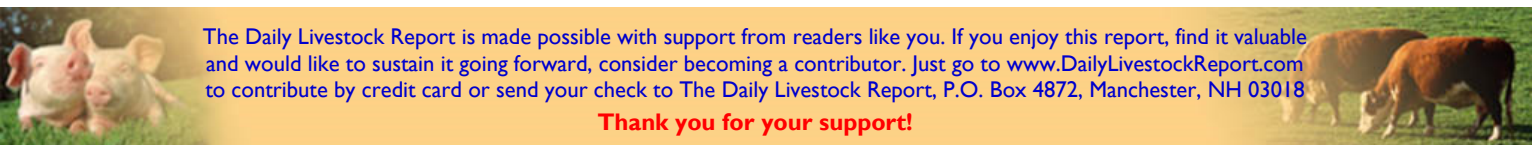
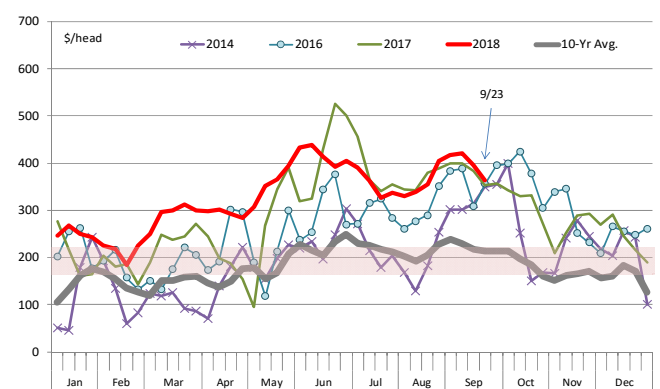


Choice Beef Cutout. Daily Close. USDA-AMS Mandatory Price Reporting System. \$/cwt



BEEF PACKER CALCULATED GROSS MARGIN, \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices



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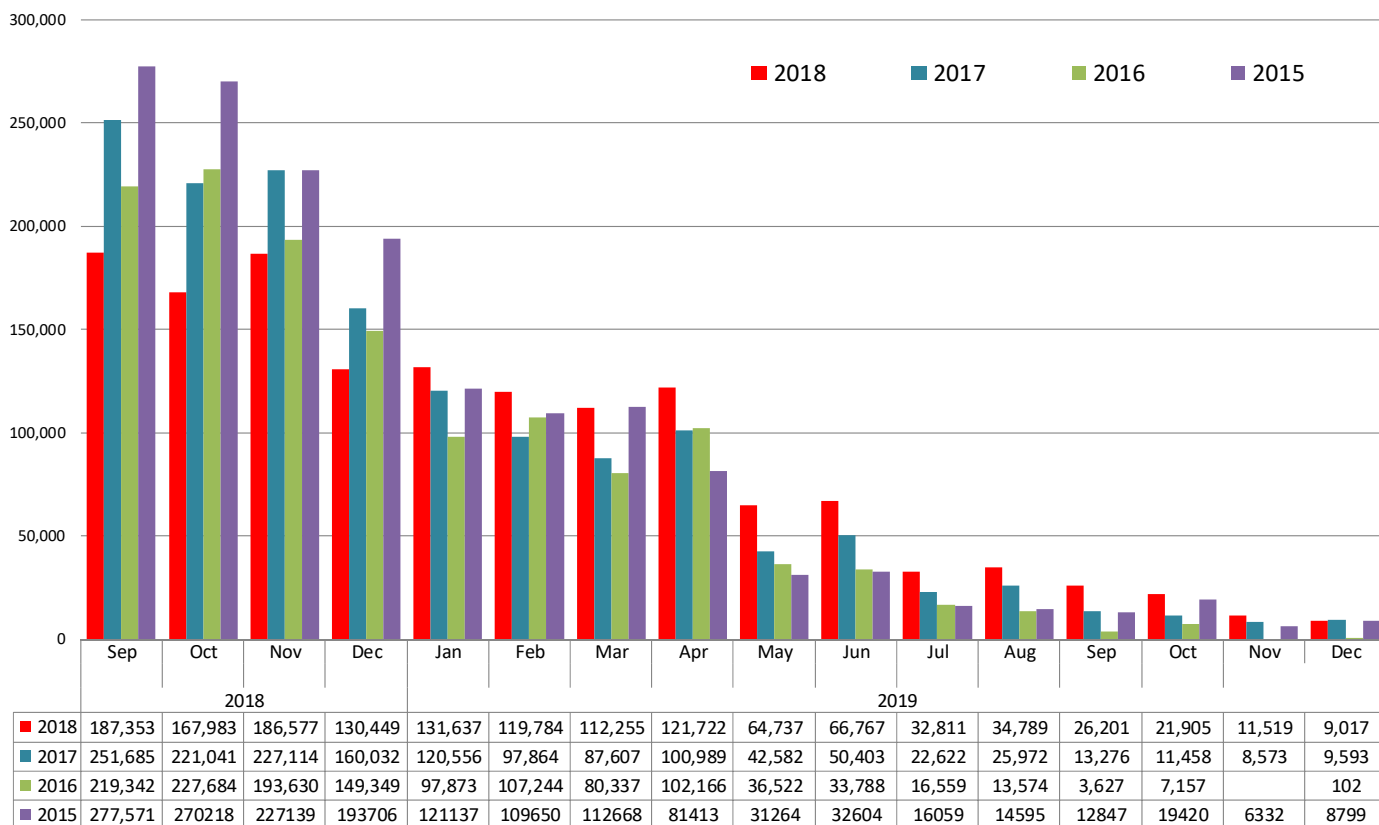
# Daily Livestock Report

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## Cattle Forward Contracted for Delivery in a Given Month

Supply Cumulative as of September 24, 2018 and Comparable Period in Previous Years. Source: USDA MPR System



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