

We are to the point in the year when questions are starting to be seriously asked about expectations for January 1, 2019 cattle inventory. Today's article will focus on beef cow inventory and the slaughter levels in the fourth quarter that will take us there.

A quick recap of January 1 Cattle Inventory in 2018, which indicated that the number of beef cows that calved is 31.7 million head and 6.1 million heifers held for beef cow replacement. Drought and high numbers of heifers placed into feedlots suggest the growth rate in the cow herd has slowed significantly or stopped.

LMIC forecasts are in the camp that beef cow inventory on January 1, 2019 will likely be slightly above January 1, 2018, based on current female beef slaughter levels to date and the proportion of that figure relative to Jan 1, 2018 cow numbers.

The combination of Federally Inspected heifer slaughter and other cow (non-dairy type) through the first 8 months of the year was 8 million head, about 9.4% above last year. If that number held the rest of the year, it would indicate that January 1 beef cow inventory would be nearly exactly even with a year ago. The preliminary weekly slaughter data available for September shows female beef slaughter was 5.5% larger than 2017. This would bring the year to date value down to 8.9%, bringing January 1, 2019 slightly above a year ago if that number holds.

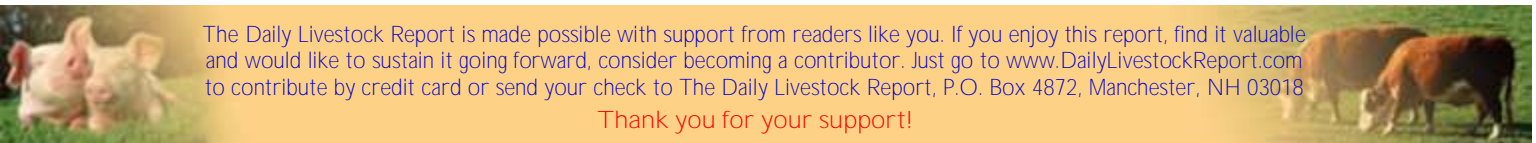
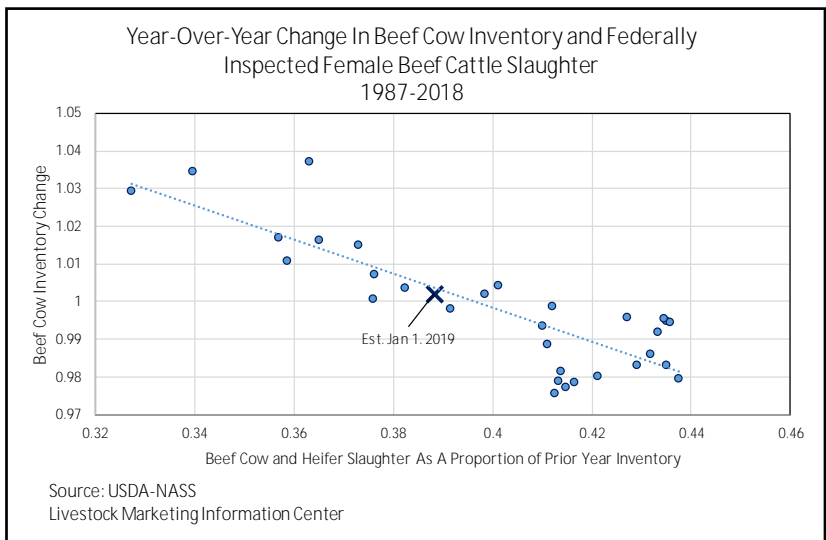
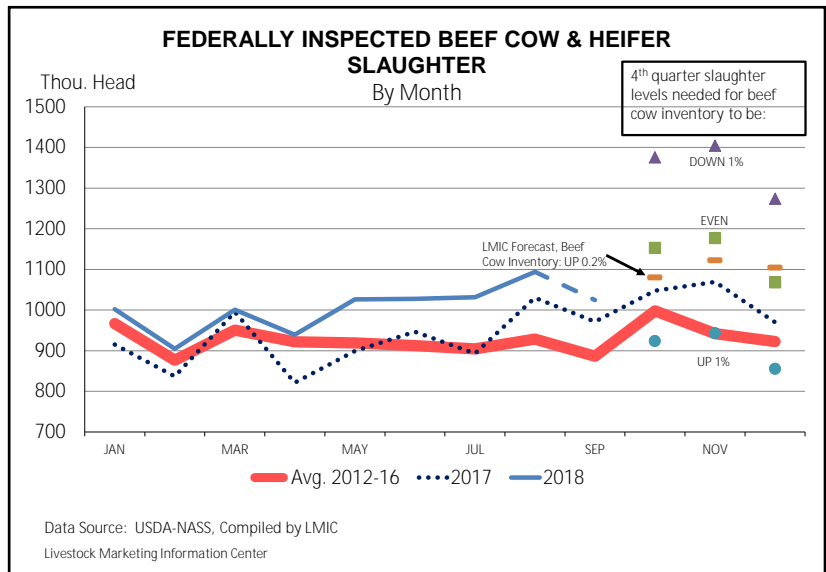
LMIC estimates annual beef cow and heifer slaughter will need to be about 9% to 9.5% above year ago to maintain a beef cow herd even with the prior year. This is only possible if the fourth quarter continues to slaughter high levels of female beef-type animals at a level that is over 9.2% for the quarter. September's slowing slaughter rate suggests this is unlikely.

Using the relationship between heifer and beef cow slaughter, we estimate that annual slaughter levels would need to be 15% above a year ago in order for the beef cow inventory number on January 1 to be 1% below the 31.7 million estimated on January 1, 2018. Similarly, in order for 2019's January 1, beef cow inventory to be up a full 1%, beef cow and heifer slaughter would need to moderate in the fourth quarter to reach an annual percentage increase of 3.3% above last year.

By our estimates, female beef slaughter is likely to moderate in the fourth quarter, but is unlikely to be pulled down as far as to cause a 1% gain in the January 1 figure.

Our current estimates put annual female heifer and beef cow slaughter up 8.4% year-over-year, leading to an estimate of up 0.2%-0.5% on January 1.

With one full quarter left to the year, these estimates are subject to change and use normal relationships to set predictions. Heifer and beef cow slaughter will be the number to watch moving forward with a keen eye to see if these relationships will hold this year.



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PRODUCTION & PRICE SUMMARY

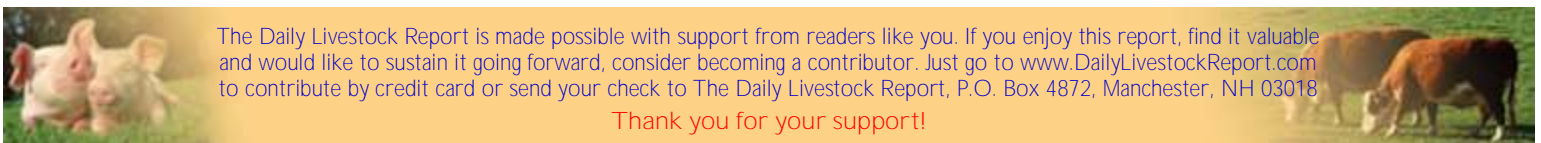
Week Ending 10/6/2018

Source: Various USDA Agricultural Marketing Service (Market News) reports. DATA ARE PRELIMINARY.

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		6-Oct-18	29-Sep-18		7-Oct-17			
Beef, Pork, Chicken, & Turkey	Mill Lbs., cwe	1,975	1,938	1.9%	1,956	1.0%	73,554	1.7%
C FI Slaughter	Thou. Head	643	650	-1.1%	636	1.1%	24,948	2.6%
A FI Cow Slaughter **	Thou. Head	119	124	-3.7%	117	2.2%	10,240	6.9%
T Avg. Dressed Weight	Lbs.	827	825	0.2%	829	-0.2%	813	0.3%
T Beef Production	Million Lbs.	530.9	534.8	-0.7%	523.8	1.4%	20,290	2.9%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	110.56	110.65	-0.1%	109.45	1.0%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	174.82	173.82	0.6%	172.43	1.4%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	163.22	162.71	0.3%	154.57	5.6%		
& Choice Beef Cutout	\$ per cwt	204.30	205.07	-0.4%	197.39	3.5%		
Hide/Offal	\$ per cwt, live wt	9.12	9.12	0.0%	10.35	-11.9%		
B Rib, Primal, Choice	\$ per cwt	373.16	366.22	1.9%	335.07	11.4%		
E Round, Primal, Choice	\$ per cwt	165.82	162.94	1.8%	172.81	-4.0%		
E Chuck, Primal, Choice	\$ per cwt	164.48	167.76	-2.0%	170.77	-3.7%		
F Trimmings, 50%, Fresh	\$ per cwt	42.44	45.23	-6.2%	44.93	-5.5%		
Trimmings, 90%, Fresh	\$ per cwt	194.33	196.99	-1.4%	219.95	-11.6%		
H FI Slaughter	Thou. Head	2,503	2,560	-2.2%	2,519	-0.6%	93,248	2.2%
H FI Sow Slaughter **	Thou. Head	56.2	58.2	-3.5%	59.4	-5.4%	5,134	2.1%
O Avg. Dressed Weight	Lbs.	209.0	208.0	0.5%	210.0	-0.5%	211	0.4%
G Pork Production	Million Lbs.	521.9	534.5	-2.4%	529.6	-1.5%	19,701	2.6%
S Iowa-S. Minn. Direct	Wtd. Avg.	63.33	62.96	0.6%	51.62	22.7%		
Natl. Base Carcass Price	Wtd. Avg.	66.97	64.40	4.0%	57.04	17.4%		
& Natl. Net Carcass Price	Wtd. Avg.	69.21	66.50	4.1%	59.26	16.8%		
P Pork Cutout	\$ per cwt	80.27	80.39	-0.1%	72.72	10.4%		
P By-product Value	\$ per cwt, live wt	3.71	3.68	0.8%	3.81	-2.6%		
O Ham, Primal	\$ per cwt	61.49	62.05	-0.9%	62.77	-2.0%		
R Loin, Primal	\$ per cwt	81.56	84.84	-3.9%	74.48	9.5%		
K Belly, Primal	\$ per cwt	124.03	117.01	6.0%	90.73	36.7%		
Trimmings, 72%, Fresh	\$ per cwt	59.60	61.95	-3.8%	64.29	-7.3%		
C Young Chicken Slaughter *	Million Head	169.6	162.4	4.5%	166.98	1.6%	6,289	-0.2%
H Avg. Weight (RTC)	Lbs.	4.79	4.76	0.6%	4.75	0.8%	4.70	0.8%
I Young Chicken Production (RTC)	Million Lbs.	812.1	772.5	5.1%	793.1	2.4%	29,530	0.7%
C Eggs Set (US)	Million	213.6	221.6	-3.6%	214.0	-0.2%	20,429	2.5%
K Chicks Placed (US)	Million Head	174.5	178.9	-2.4%	174.4	0.0%	16,540	1.6%
E National Composite Whole Bird	Composite	80.56	82.59	-2.5%	85.87	-6.2%		
N Northeast Breast, B/S	\$ per cwt	90.08	94.87	-5.0%	114.30	-21.2%		
Northeast Leg Quarters	\$ per cwt	30.57	29.82	2.5%	39.16	-21.9%		
T Total Turkey Slaughter *	Million Head	4.51	3.88	16.0%	4.34	3.8%	160.3	-0.7%
U Avg. Weight (RTC)	Lbs.	24.33	24.79	-1.8%	25.20	-3.5%	25.16	-0.6%
R Turkey Production (RTC)	Million Lbs.	109.7	96.3	13.9%	109.4	0.3%	4,032	-1.2%
K National Hen (8-12 Lbs)	\$ per cwt	82.00	83.55	-1.9%	98.90	-17.1%		
G Corn, Omaha	\$ per Bushel	3.20	3.20	0.0%	3.10	3.2%		
R Distillers Grain, Chicago	\$ per Ton	145.00	145.00	0.0%	116.50	24.5%		
A Wheat, Kansas City (delivered)	\$ per Bushel	6.09	6.04	0.8%	5.32	14.5%		
I Soybean, Cntrl IL	\$ per Bushel	8.08	8.01	0.8%	9.36	-13.7%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	318.20	318.30	0.0%	317.90	0.1%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of "actual" rather than "preliminary" weekly slaughter report).



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