

Copyright ©2018 Steiner Consulting Group, DLR Division, Inc. All rights reserved.

Vol. 16, No. 200 / October 10, 2018

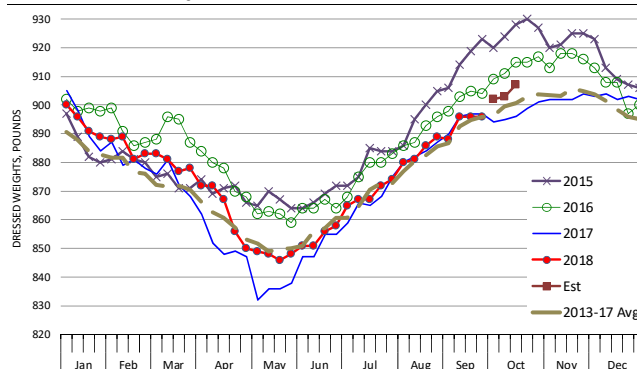
The number of fed cattle coming to market in the last few weeks has been near or below year ago levels even as the USDA feedlot survey put the September 1 inventory at +5.9% above last year's levels. The total supply of cattle on feed does not always tell you what to expect in terms of slaughter in the short term, especially if cattle were placed at lighter weights and thus require more time to be market ready. Still, **with large inventories of cattle that have spent more than 150 days on feed, market participants are likely paying close attention to data that can indicate feedlot currentness.** Fed steer weights are often viewed as a barometer, albeit an imprecise one. After all, a 550 pound calf will likely finish at a lower weight than an 850 pound yearling. Still, the weight data is closely scrutinized for any sign that feedlots are falling behind in their marketings and potentially losing bargaining power. Each week USDA publishes an accounting of carcass weight data for cattle by species. Given the time it takes USDA to tabulate the reports it receives from inspectors in the various federally inspected plants, the data has some time lag to it. The latest report was issued for the week ending September 22 and it pegged the average steer carcass weight at 896 pounds, slightly lower than the average carcass weight from a year ago. Setting aside the issue of in/out weights for lighter calves, the recent steer carcass weight data would suggest that feedlots remain current. Steer weights have been reported unchanged for three consecutive weeks, somewhat surprising for this time of year and further offering a sense that weights remain under control. Average heifer weights are running about 0.7% higher than last year but the numbers still appear to be increasing at a normal rate.

We are writing this report on October 10 and the question is: what have weights done in the last two weeks? Obviously we will have to wait until the official numbers come out but in the meantime we can observe weight data as reported in the Mandatory Price Reporting system and come up with some estimates. There is a strong correlation (although not perfect) between the weight data as reported by MPR and the official statistics. The MPR data shows a somewhat different picture with regard to steer weights, especially in recent weeks. Based on it, **we would expect a notable increase in reported steer weights for late September and the first two weeks of October, ultimately putting steer weights for the week ending October 13 at around 907 pounds per carcass, 1.2% higher than last year.**

Another piece of data to keep in your sights with regard to currentness is the number of grade 4 and grade 5 cattle coming to market. This data set covers only the subset of cattle reported but it may be useful to understand broader trends. The latest data is for the period Jul 29 - Aug 25 and shows 13.5% of cattle graded were grade 4 and grade 5 compared to 12.3% last year. The question is, will we see a continued increase of G4 and G5 cattle in Sep/Oct, further fueling speculation about currentness.

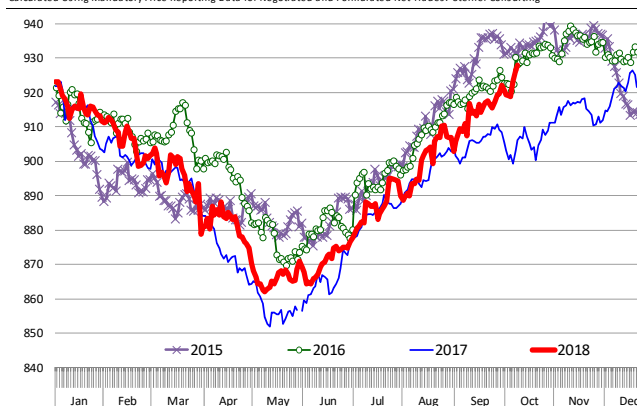
Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate

Source: USDA & Steiner Consulting Estimates



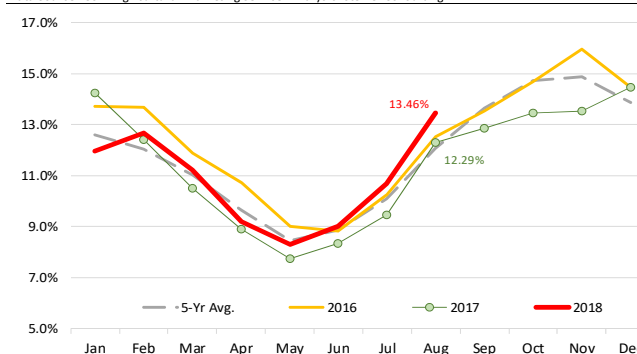
Steer Weights. 5-day WEIGHTED moving average

Calculated Using Mandatory Price Reporting Data for Negotiated and Formulated Net Trades. Steiner Consulting



Yield Grade 4 & 5 Cattle as % of All Cattle Graded

Data Source: USDA Agricultural Marketing Service. Analysis: Steiner Consulting



Premiums/Discounts Based on Cutability Yield Grade, Fat/Inches. Report for October 9, 2018

1.0 - 2.0 < 0.10"	2.0 - 2.5 < 0.20"	2.5 - 3.0 < 0.40"	3.0 - 3.5 < 0.60"	3.5 - 4.0 < 0.80"	4.0 - 5.0 < 1.2"	5.0/up < 1.2"
3.86	2.00	1.64	0.00	0.00	-11.79	-17.79

The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group, CME and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

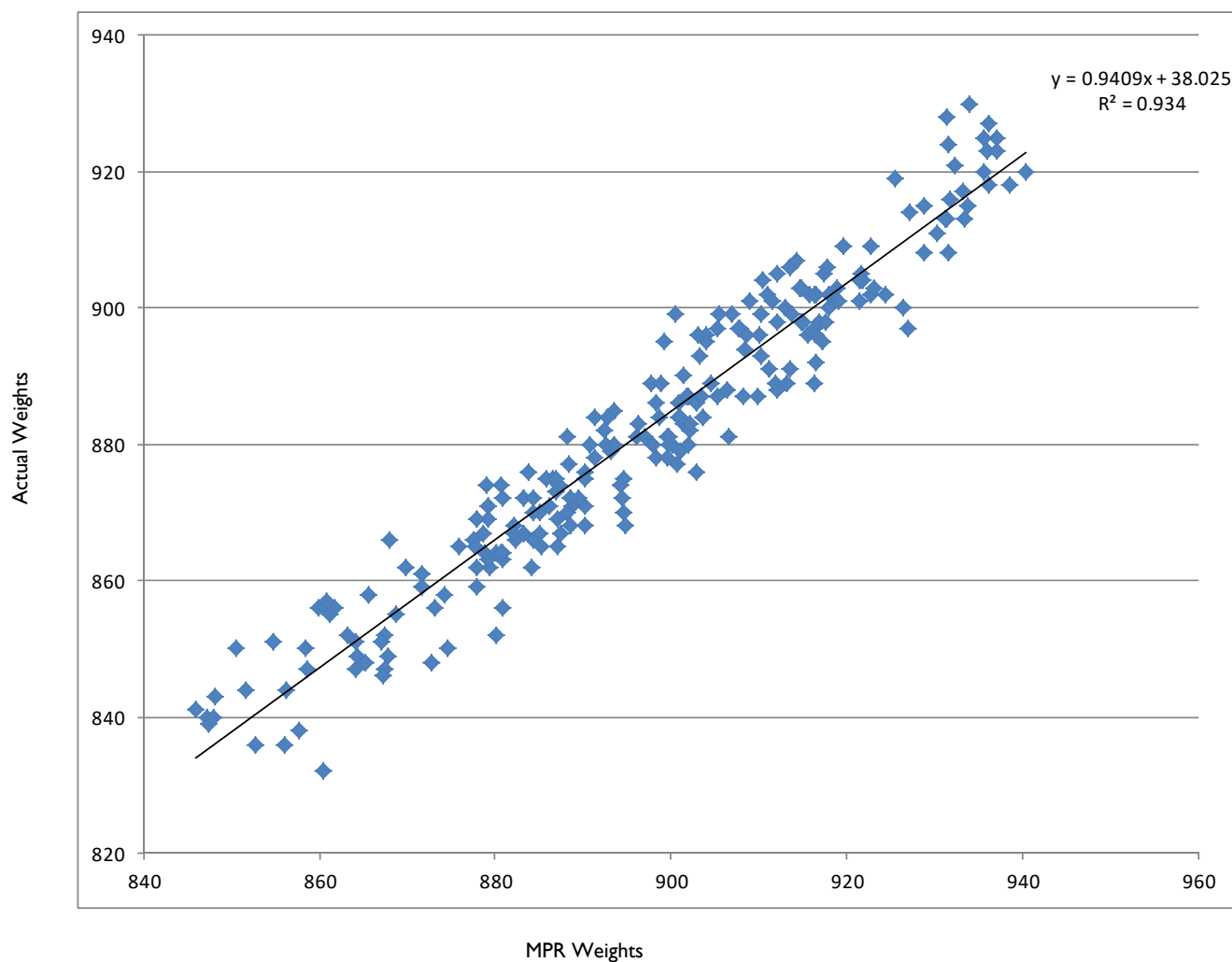
Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

Daily Livestock Report

Sponsored by  **CME Group**

Vol. 16, No. 200 / October 10, 2018

Mandatory Price Reporting Steer Weights (5-day MA) vs. Actual USDA Steer Weights



The Daily Livestock Report is made possible with support from readers like you. If you enjoy reading this report and would like to sustain it going forward, [consider becoming a contributor](http://www.DailyLivestockReport.com) by going to our website: www.DailyLivestockReport.com

Thank you for your support!

