Daily Livestock Report

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Vol. 16, No. 208 / October 22, 2018

<u>Futures market participants will likely view the latest cattle on feed inventory data as bullish for the late winter/early spring market</u>. While USDA in January and July offers an estimate as to the supply of cattle outside of feedlots, the flow of feeders into feedlots and ultimately slaughter provide the true measure of supply availability. Prior to the report analysts were split in their expectations for September placements. Seasonally placements increase in September but it appears that feedlots pulled some of the feeder supply forward by increasing placements in July and August Total cattle placed on feed in July and August were up 269k head compared to a year ago but they were down almost 100k head in September. Looking at the structure of placements, most of the decline in September came from two categories. Placements of cattle weighing between 700-799 cattle were down 60k head and placements of cattle over 800 pounds were down 49k head. Contrast this with placements in July and August. During those two months, placements of cattle under 600 pounds rose by 120k head, placements of 600-699 cattle were up 105k head, and placements of cattle 700-799 pounds were 72k head higher than a year ago. Poor feeding conditions in some parts of the country possibly limited the ability of producers to add weight to feeders outside feedlots and accelerated the flow into feedlots. Indeed, producers continued to place more light cattle on feed in September. One corollary of the trend of placing cattle on feed at lighter weights is that it makes it more difficult to maintain the historical trend of ever increasing average carcass weights at slaughter. In the last three years, the peak in annual steer weights has been consistently lower than the year before.

<u>Futures already have priced February and April cattle contracts at a notable premium to December</u>. It appears that lower placements in the above mentioned weight categories combined with seasonal weather risk may continue to support these spreads for the moment. Four times a year USDA also offers a breakdown of the on feed inventory by sex. The latest data showed the inventory of heifers and heifer calves on October 1 was 11% higher than a year ago while steer inventories were up 2.3%. Reduced profitability has caused producers to retain fewer heifers than a year ago, bolstering on feed supplies. The chart to the right shows the ratio of heifer placements relative to total placements. The ratio has increased steadily and it is currently near the levels we observed in 2009 and 2010, when producers actually started to deplete the breeding herd. It is still early to say liquidation is going on but a continued increase in cow slaughter and more heifers going into feedlots ultimately may result in a net reduction of the cow herd. We don't expect to see this in the January 2019 count but it appears more likely in January 2020.

Lower than expected placements caused the total number of cattle on feed to be quite a bit lower than what analysts expected (105.4 vs. 106.3). However, the front end supply remains well above year ago levels and, in the short term, this may continue to limit the upside for cash fed cattle prices. The supply of cattle that have been on feed for more than 150 days is estimated at 1.921 million head, 27.1% higher than a year ago. The supply of cattle that have been on feed for more than 120 days is estimated at 3.972 million head, higher than it was on September 1 and 11.5% higher than a year ago.

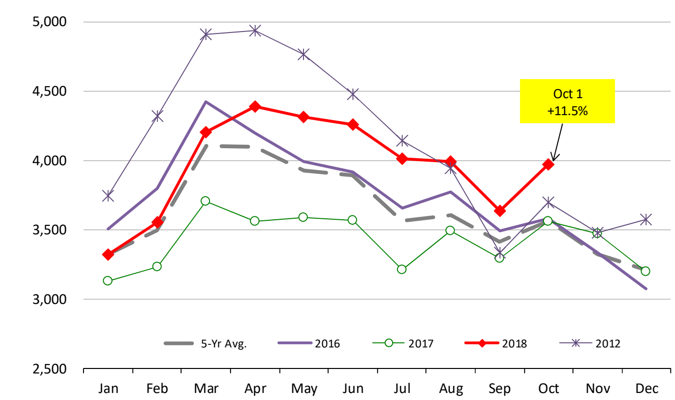
U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2016	2017	2018	Actual	Estimates	Difference
Placed on Feed During Sep	1,895	2,150	2,051	95.4	100.3	-4.9
Fed Cattle Marketed in Sep	1,732	1,783	1,719	96.4	96.5	-0.1
On Feed October 1	10,256	10,813	11,400	105.4	106.3	-0.9

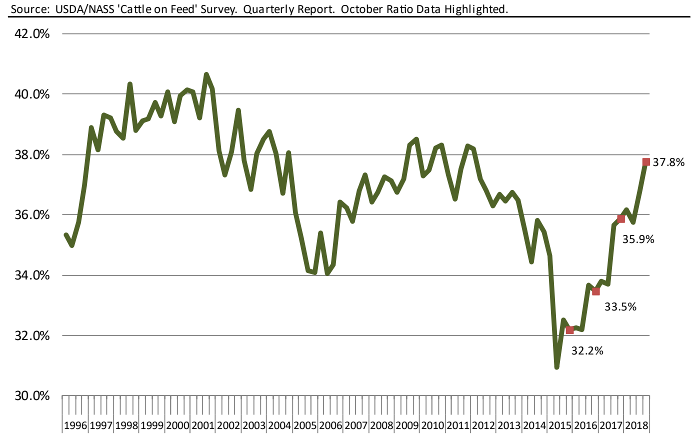
INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE

Calcuated using the USDA Monthly "Cattle on Feed" Report



Inventory of Heifers <u>as % of Total Inventory</u> on Feed, Quarterly

Source: USDA/NASS 'Cattle on Feed' Survey. Quarterly Report. October Ratio Data Highlighted.



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PRODUCTION & WKLY AVG. PRICE SUMMARY Week Ending 10/20/2018

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *Weekly Avg. Prices*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			20-Oct-18	13-Oct-18		21-Oct-17			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,949**	**1,969**	-1.01%	**1,947**	0.14%	**77,480**	1.7%
	FI Slaughter	Thou. Head	625	639	-2.19%	633	-1.29%	26,207	2.5%
C	FI Cow Slaughter **	Thou. Head	124	119	4.28%	116	6.82%	4,711	7.4%
T	Avg. Dressed Weight	Lbs.	830	829	0.12%	826	0.48%	814	0.3%
T	Beef Production	Million Lbs.	517.9	528.6	-2.02%	521.8	-0.75%	21,339	2.8%
L	Live Fed Steer Price	$ per cwt	109.96	110.52	-0.51%	110.87	-0.82%		
E	Dressed Fed Steer Price	$ per cwt	173.89	173.52	0.21%	174.92	-0.59%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	156.09	158.88	-1.75%	160.92	-3.00%		
&	Choice Beef Cutout	$ per cwt	205.74	202.68	1.51%	198.63	3.58%		
	Hide/Offal	$ per cwt, live wt	9.08	9.09	-0.11%	10.20	-10.98%		
B	Rib Primal, Choice	$ per cwt	381.41	373.81	2.03%	350.85	8.71%		
E	Round Primal, Choice	$ per cwt	167.54	165.15	1.45%	168.08	-0.32%		
E	Chuck Primal, Choice	$ per cwt	165.39	162.43	1.82%	168.21	-1.68%		
F	Trimmings, 50%	$ per cwt	48.54	47.32	2.58%	55.93	-13.21%		
	Trimmings, 90%	$ per cwt	188.50	190.87	-1.24%	215.20	-12.41%		
	FI Slaughter	Thou. Head	2,589	2,489	4.02%	2,468	4.88%	98,322	2.2%
	FI Sow Slaughter **	Thou. Head	60.9	60.1	1.33%	58.8	3.54%	2,303	1.9%
H	Avg. Dressed Weight	Lbs.	209.0	209.0	0.00%	211.0	-0.95%	211	0.3%
O	Pork Production	Million Lbs.	541.2	519.4	4.20%	520.9	3.90%	20,767	2.5%
G	Iowa-S. Minn. Base	Wtd. Avg.	59.68	62.71	-4.83%	62.62	-4.69%		
S	Natl. Base Carcass Price	Wtd. Avg.	65.79	67.33	-2.29%	62.53	5.21%		
	Natl. Net Carcass Price	Wtd. Avg.	67.97	69.49	-2.19%	64.74	4.99%		
	Pork Cutout	205 Lbs.	79.49	79.17	0.40%	74.75	6.34%		
	Ham Primal	$ per cwt	53.11	55.46	-4.24%	66.79	-20.48%		
	Loin Primal	$ per cwt	77.77	78.78	-1.28%	74.77	4.01%		
	Belly Primal	$ per cwt	142.23	134.77	5.54%	95.76	48.53%		
	Trimmings, 72%, Fresh	$ per cwt	59.89	60.09	-0.33%	61.38	-2.43%		
	Hog By-Product Value	$ per cwt, live wt	3.71	3.72	-0.27%	3.83	-3.13%		
C	Young Chicken Slaughter *	Million Head	163.9	167.5	-2.14%	165.9	-1.19%	6,621	-0.2%
H	Avg. Weight (RTC)	Lbs.	4.76	4.84	-1.73%	4.77	-0.32%	6.18	0.8%
I	Young Chicken Production (RTC)	Million Lbs.	779.8	810.8	-3.83%	791.7	-1.50%	31,121	0.7%
C	Eggs Set (19-state)	Million	215.8	216.6	-0.41%	216.1	-0.14%	9,285	1.9%
K	Chicks Placed (19-state)	Million Head	177.2	170.8	3.73%	178.1	-0.55%	7,508	1.3%
E	National Composite Whole Bird	Composite	84.00	83.32	0.82%	84.21	-0.25%		
	Northeast Breast, B/S	$/cwt	93.43	93.05	0.41%	113.42	-17.62%		
	Northeast Leg Quarters	$/cwt	30.27	30.46	-0.62%	39.1	-22.58%		
T	Total Turkey Slaughter *	Million Head	4.477	4.301	4.09%	4.47	0.16%	169.052	-0.4%
U	Avg. Weight (RTC)	Lbs.	24.69	25.66	-3.79%	25.14	-1.79%	31.27	-0.8%
R	Turkey Production (RTC)	Million Lbs.	110.5	110.4	0.15%	112.4	-1.64%	4,253	-1.1%
K	National Hen (8-12 lb)	8-16 Lbs.	79.33	84.82	-6.47%	94.39	-15.96%		
G	Corn, Omaha	$ per Bushel	3.31	3.27	1.22%	3.12	6.09%		
R	Distillers Grain, Chicago	$ per Ton	150.00	145.00	3.45%	115.00	30.43%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	5.16	5.24	-1.53%	3.55	45.35%		
I	Soybeans, Cntrl IL	$ per Bushel	8.21	8.12	1.11%	9.57	-14.21%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	321.80	322.80	-0.31%	317.90	1.23%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

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