

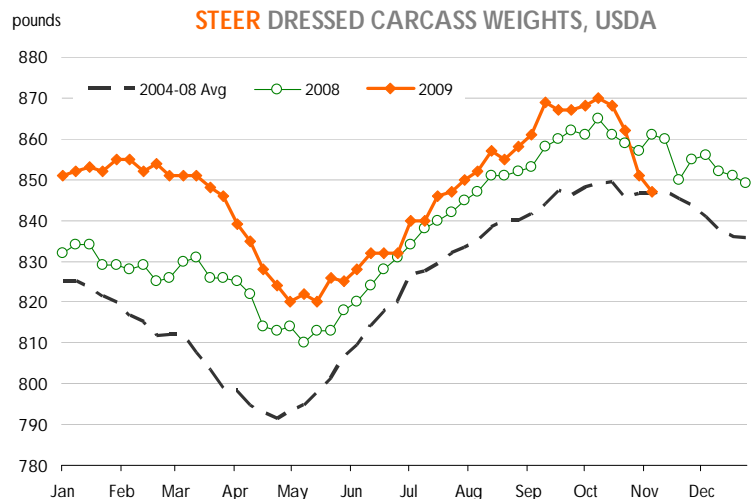
Daily Livestock Report

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Market Comments

CME trading will be for the most part halted on Thursday in observance of Thanksgiving holiday. Holiday trading hours will be in effect Wed - Fri, with different opening and closing times depending on markets. For livestock products, the trading floor will be closed on Thursday while Globex trading will close as normal on Wednesday and stay closed until 1700 CT on Thursday, November 26. See full calendar at: <http://www.cmegroup.com/tools-information/holiday-calendar/index.html>

There maybe plenty of problems in the beef market at this time but feeders falling behind in their marketings does not seem to be one of them. The latest USDA report showed a continued decline in steer carcass weights and, as the chart below illustrates it, the decline in weights during the past four weeks has been quite dramatic for this time of year. The latest numbers on steer weights are for week ending November 7 and USDA reported that for that dressed carcass weights were 847 pounds, 4 pounds lower than the previous week and a whopping 23 pounds lower than just four weeks ago when steer dressed weights were hovering around 870 pounds. Normally one sees such sharp declines in the winter months when cold and wet weather take a toll on animals and cause them to lose weight. Weather is a big part of the reason for the seasonally lower weights we observe during the winter months. However, poor weather does not seem to explain the recent drop in steer weights. It has been somewhat wet and muddy in some areas but not enough to get such a dramatic decline. We will venture a our guesses although we expect to hear from guys in the feeding business that are intimately involved with this issue. One guess is that the decline in weights reflects the fact that feedlots actually got ahead of themselves in marketings cattle in the second half of October and first week of November, induced to accelerate sales given nearby December futures were approaching \$87/cwt. One could find this argument somewhat unconvincing since the latest cattle on feed report showed that feedlot marketings in October were actually 3.1% lower than a year ago. It's a valid point but also one that does not account for the fact that much of that decline came in the first half of October, which coincidentally was the time of those 870 pound carcass weights. Based on the preliminary USDA daily steer and heifer slaughter data, fed slaughter during the period Oct 19 - Nov 7 was 1.5 million head, some 1.3% higher than the comparable period a year ago. This may not seem like a big increase but one needs to consider the number of animals that were likely available for sale during this period (not all cattle on feed at a given time can be sold at that time). For this, we need to look back at the cattle placed on feed some 4-5 months before. The cattle on feed report shows that in May 2009, feedlots placed 13.8% fewer cattle on feed than the previous year and June placemeners were also down 8.4% from the prior year. So how does one sell 1.3% more cattle than the year before at a time when the potential supply of marketable cattle is down 8-10%? You sell cattle that are too light, that's how.



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