Daily Livestock Report

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Vol. 12, No. 227 / November 24, 2014

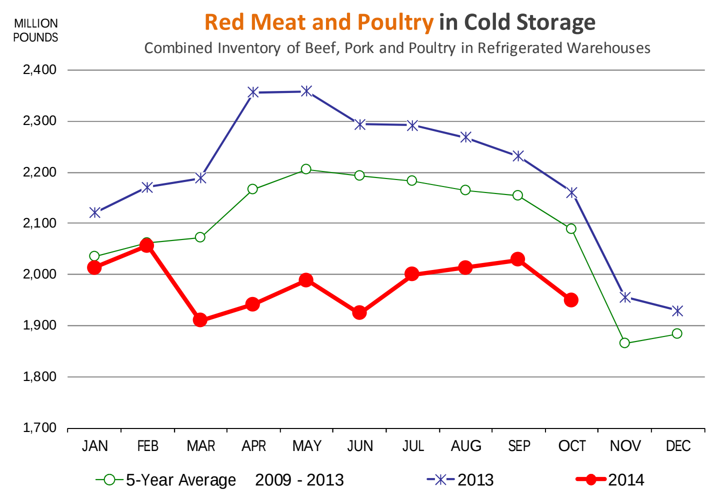
Cattle on Feed Implications: Moderately Bearish

The USDA survey showed total on feed supplies as of November 1 were 10.633 million head, 0.5% higher than a year ago. Prior to the report analysts were expecting the feedlot inventory to be down 0.4% from a year ago. In addition to placing more cattle on feed than expected, feedlot marketings were also down 7.8%, compared to pre-report estimates looking for a 6.9% decline. Placements in October were 2.357 million head, just 0.9% lower than a year ago. Please note that placements last year were relatively large considering overall feeder stocks. What explains the larger than expected placements at a time when all indications are feeder supplies remain tight? Limited placements over the summer certainly have played a role. Given record high feeder prices, some of those feeder cattle are entering feedlots, and they are doing so at heavier weights. This becomes clear when looking at the breakdown of cattle placed on feed. Placements of heavy feeders (+800 lb) were up 60k head (+10%) compared to a year ago. On the other hand, placements of light feeders (under 600 lb) were down 30k head or 4.2%. The fact that we are placing heavier cattle on feed than a year ago implies that a larger number of cattle will become available for marketing earlier, which could impact the spread between spring and summer cattle.

Despite the modest increase vs. year ago levels, the main issue in the fed cattle market is the fact that forward contracts hold a premium and provide feedlots with an incentive to feed cattle to heavier weights. This has slowed down the flow of cattle. Feedlot inventories are slowly increasing but it is unclear how much of the cattle currently being placed on feed are for sale to packers and how many heifers are being placed in breeding programs. This could skew the overall expected supplies for next spring and summer. Taking the report at face value, we should expect more cattle to become available in late winter and spring.

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

	Number, Thousand Head			Current Year as % of Year Prior		
	2012	2013	2014	Actual	Estimates	Difference
Placed on Feed During Oct	2,130	2,378	2,357	99.1	95.8	3.3
Fed Cattle Marketed Oct	1,787	1,827	1,685	92.2	93.1	-0.9
On Feed November 1	11,259	10,585	10,633	100.5	99.6	0.9



Cold storage Implications: Bullish for beef, pork; neutral to negative for chicken (full detail on page 2)

Total **beef inventories** at the end of October were 374.9 million pounds, 14.8% lower than a year ago but slightly higher than the previous month. While the movement in inventory was in line with normal flows for this time of year, the fact is that inventories remain significantly below year ago levels and this continues to be supportive of the beef market in the short term. **Pork inventories** as of October 30 were down 7.1% from a year ago and also down 3.7% from the previous month. The drawdown in total pork stocks was larger than normal for this time of year. Ham inventories declined 16% from the previous month, a larger than normal decline. Belly stocks also were 17.5% lower than the previous months when normally we see belly stocks actually start to increase in October. It appears users are drawing down pork inventories in anticipation of higher supplies. We think the smaller pork inventories create notable upside price risk, especially if end users shift some of their features after the holidays to pork. Pork production is expected to increase but it may not increase as much or as fast as some expect. **Chicken inventories** were 659.3 million pounds, 8.6% lower than a year ago but 5.4% higher than the previous month. The increase in inventories was higher than normal for this time of year. Inventories of breast meat are up 20% compared to a year ago while inventories of leg quarters increased 10.2% from the previous month when normally they are steady to lower in October.

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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Oct-13	30-Sep-14	31-Oct-14	Oct-13	Sep-14
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	11,192	10,313	10,589	95	103
Hams, Total	192,947	194,077	163,077	85	84
Bone-in	102,054	96,916	83,100	81	86
Boneless	90,893	97,161	79,977	88	82
Bellies	26,674	33,811	27,884	105	82
Loins, Total	28,448	20,267	23,406	82	115
Bone-in	10,278	7,508	9,913	96	132
Boneless	18,170	12,759	13,493	74	106
Ribs	75,746	50,957	63,852	84	125
Butts	19,058	21,035	20,995	110	100
Trimmings	34,775	35,043	36,736	106	105
Other	94,496	90,627	97,195	103	107
Variety Meats	26,717	34,068	28,331	106	83
Unclassified	54,967	54,624	52,704	96	96
Total	**565,020**	**544,822**	**524,769**	**93**	**96**
Frozen Beef					
Boneless	394,820	334,357	337,581	86	101
Beef Cuts	45,286	39,813	37,287	82	94
Total	**440,106**	**374,170**	**374,868**	**85**	**100**
Other					
Veal	3,885	2,326	3,549	91	153
Lamb & Mutton	23,967	39,693	38,663	161	97
Total	**27,852**	**42,019**	**42,212**	**152**	**100**
Total Red Meat	**1,032,978**	**961,011**	**941,849**	**91**	**98**
Chicken					
Broilers, Fryers, Roasters	27,583	11,092	11,723	43	106
Breasts and Breast Meat	104,816	114,033	125,792	120	110
Leg Quarters	150,543	118,616	130,770	87	110
Wings	97,745	62,014	64,318	66	104
Other Chicken	340,675	319,491	326,644	96	102
Total	**721,362**	**625,246**	**659,247**	**91**	**105**
Turkey					
Whole Turkeys	239,730	297,223	224,389	94	75
Turkey Breast	51,526	48,599	36,234	70	75
Other	143,237	138,725	129,626	90	93
Total	**434,493**	**484,547**	**390,249**	**90**	**81**
Ducks	1,720	2,887	2,262	132	78
Total Poultry	**1,157,575**	**1,112,680**	**1,051,758**	**91**	**95**

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PRODUCTION & PRICE SUMMARY

Week Ending 11/22/2014

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary.

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			22-Nov-14	15-Nov-14		23-Nov-13			
	Total Red Meat & Poultry	**mil lbs., cwe**	**1,798**	**1,805**	-0.38%	**1,809**	-0.61%	**78,159**	-2.0%
	FI Slaughter	Thou. Head	567	560	1.25%	621	-8.68%	26,778	-7.3%
C	FI Cow Slaughter **	Thou. Head	109	108	0.26%	127	-14.18%	4,652	-14.1%
A	Avg. Live Weight	Lbs.	1370	1373	-0.22%	1346	1.78%	1,330	1.2%
T	Avg. Dressed Weight	Lbs.	828	827	0.12%	807	2.60%	805	1.1%
T	Beef Production	Million Lbs.	468.5	462.2	1.36%	500.1	-6.32%	21,544	-6.0%
L	Live Fed Steer Price	$ per cwt	169.00	169.90	-0.53%	130.55	29.45%		
E	Dressed Fed Steer Price	$ per cwt	265.00	264.80	0.08%	206.94	28.06%		
	Georgia Feeder Steer	$ per cwt	238.30	233.45	2.08%	147.00	62.11%		
&	Choice Beef Cutout	$ per cwt	254.79	250.81	1.59%	199.28	27.86%		
	Hide/Offal	$ per cwt, live wt	16.38	16.38	0.00%	14.85	10.30%		
B	Rib, Choice	$ per cwt	393.23	380.13	3.45%	335.26	17.29%		
E	Round, Choice	$ per cwt	237.18	230.51	2.89%	171.94	37.94%		
E	Chuck, Choice	$ per cwt	224.27	220.02	1.93%	167.73	33.71%		
F	Trimmings, 50%	$ per cwt	114.78	117.68	-2.46%	102.25	12.25%		
	Trimmings, 90%	$ per cwt	295.32	295.50	-0.06%	191.11	54.53%		
	FI Slaughter	Thou. Head	2,232	2,219	0.59%	2,344	-4.78%	94,320	-5.2%
	FI Sow Slaughter **	Thou. Head	57.6	58.9	-2.17%	60.2	-4.25%	2,386	-5.8%
H	Avg. Dressed Weight	Lbs.	215.0	214.0	0.47%	212.0	1.42%	214	3.6%
O	Pork Production	Million Lbs.	478.8	475.4	0.72%	497.1	-3.68%	20,173	-1.8%
G	Iowa-S. Minn. Direct	Wtd. Avg.	86.66	86.54	0.14%	78.21	10.80%		
S	Natl. Base Carcass Price	Wtd. Avg.	86.94	86.36	0.67%	80.55	7.93%		
	Natl. Net Carcass Price	Wtd. Avg.	88.76	88.13	0.71%	82.52	7.56%		
	Pork Cutout	205 Lbs.	93.88	95.37	-1.56%	90.65	3.56%		
	Hams	$ per cwt	92.72	96.08	-3.50%	82.87	11.89%		
	Loins	$ per cwt	94.95	96.47	-1.58%	89.98	5.52%		
	Bellies	$ per cwt	94.14	96.51	-2.46%	125.91	-25.23%		
	Trimmings, 72%	$ per cwt	68.66	81.00	-15.23%	71.25	-3.64%		
C	Young Chicken Slaughter *	Million Head	157.4	159.7	-1.42%	153.5	2.56%	7,088	-0.3%
H	Avg. Weight (Live)	Lbs.	6.09	6.08	0.16%	5.87	3.75%	5.87	1.0%
I	Chicken Production (RTC)	Million Lbs.	728.6	737.8	-1.26%	684.7	6.40%	31,603	0.7%
C	Eggs Set	Million	205.8	198.3	3.77%	202.4	1.66%	9,303	1.6%
K	Chicks Placed	Million Head	162.5	159.7	1.75%	160.7	1.06%	7,615	0.5%
E	National Composite Whole Bird	Composite	106.68	104.02	2.56%	95.12	12.15%		
N	Georgia Dock Broiler Price	2.5-3 Lbs.	112.87	112.87	0.00%	103.89	8.64%		
	Northeast Breast, B/S	$/cwt	141.97	144.55	-1.78%	125.53	13.10%		
	Northeast Legs	$/cwt	55.53	56.34	-1.44%	57.12	-2.78%		
T	Young Turkey Slaughter *	Million Head	5.389	5.69	-5.29%	5.719	-5.77%	197.782	-1.7%
U	Avg. Live Weight	Lbs.	28.22	28.33	-0.39%	27.84	1.36%	30.60	0.5%
R	Turkey Production (RTC)	Million Lbs.	122.4	129.7	-5.66%	127.3	-3.89%	4,839	-1.1%
K	National Hen	8-16 Lbs.	116.66	118.84	-1.83%	105.21	10.88%		
G	Corn, Omaha	$ per Bushel	3.53	3.55	-0.56%	4.10	-13.90%		
R	Wheat, Portland (delivered)	$ per Ton	6.79	7.12	-4.63%	7.11	-4.50%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	5.96	5.98	-0.33%	7.02	-15.10%		
I	Soybeans, Cntrl IL	$ per Bushel	10.21	10.51	-2.85%	13.04	-21.70%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	424.30	455.00	-6.75%	447.00	-5.08%		

* 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 due to reporting lag.

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