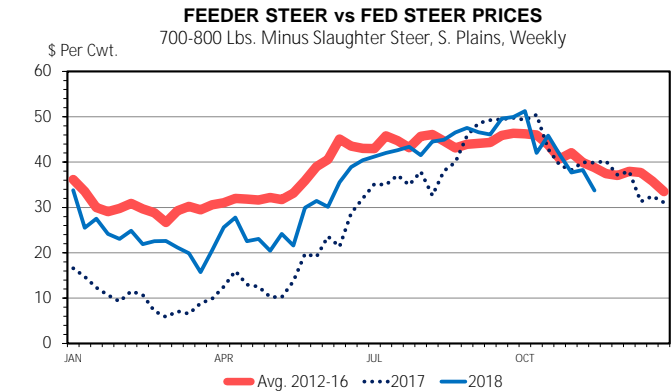


The price premium for feeder steers over fed steers this year has made an impressive statement about the optimism within the cattle industry this year. The seasonal tendency to find the low point in the late winter followed by appreciation to the by late summer or early fall to the annual high provide some confidence in the traditional norms of the marketplace. The price premium exceeded year ago values throughout the year until September. Beginning in October, however, the relationship between feeder steers and fats has shown more weakness than in past years.

Analysis of this price relationship over a longer period of time (2000-2017) shows that the price premium during the Fall quarter stays within a range of zero to \$40 per cwt., with the exception of two years, 2014 and 2015. Those were years when the annual calf crop fell below 34 million head, the only years that this has happened in modern times. These were also the only two years since 2000 when the number of heifers being retained for beef cow breeding purposes increased by more than 200,000 head during the year, thereby reducing the supply of cattle available to feedlots. Since neither of these conditions appear to be pertinent this year, a price spread between feeders and fat steers above \$40 is also not a reasonable expectation, and the markets in recent weeks seem to be bearing this out.

Another perspective on this price relationship is to look at the distribution of price premiums in percentage terms. The lower premiums in absolute value during the prior decade were due to lower price levels, in general. Fat steer prices from 2000-2005 averaged about \$80 per cwt. From 2012-2017, that average was

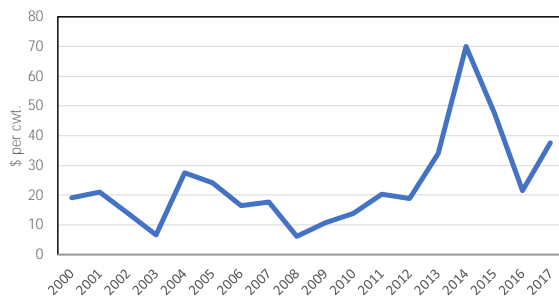


Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

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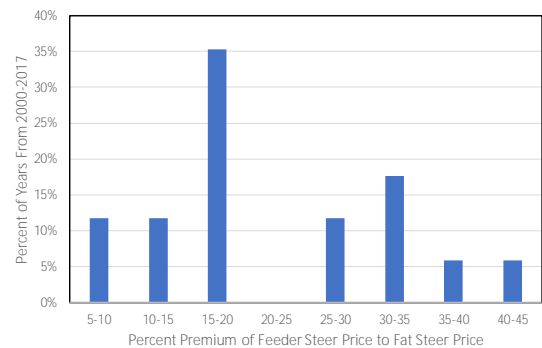
close to \$130. Looking at premiums as a percentage of the fat steer price takes out some of the bias due to inflation. During the 2000-2017 interval, 35% of the years registered a price premium in the range of 15-20%. Even after adjusted to percentages, the 2014 and 2015 markets posted much bigger gains than other years, which highlights the variation in feeder cattle supplies, as opposed to market demand issues. Last fall, the feeder steer premium percent was 32%, which looks good compared to 15-20%. A 32% premium along with an average fat steer price of \$114 per cwt. for the quarter pegs the feeder steer price for the quarter at \$150 (October averaged \$156.59).

Feeder Steer Less Fat Steer Price, Oct-Dec
OK City 750-800 Steer and 5 Market Choice Steers

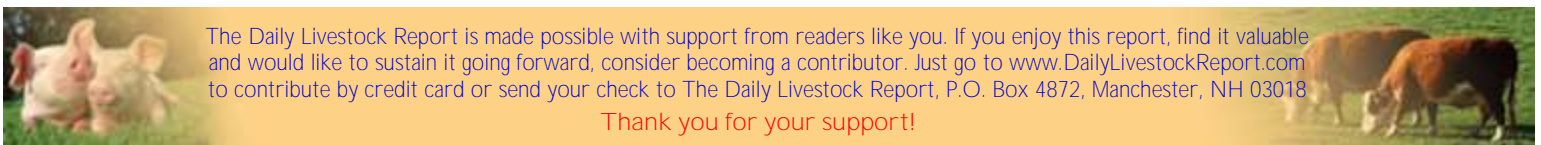


Data Source: USDA-Agriculture Marketing Service
Data prepared by Livestock Marketing Information Center

Feeder Steer Price Premium (Percent) to Fat Steer, Oct-Dec
OK City 750-800# Steer and 5 Market Choice Steers



Data Source: USDA Agriculture Marketing Service
Data prepared by Livestock Marketing Information Service



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