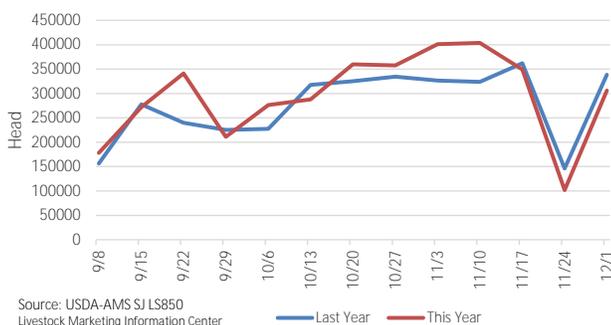


The demand for feeder cattle from feedlots in the second half of this year has been one of the surprises of the cattle market in 2017. This demand is reflected in the size and trend of the price premium between heavier feeder cattle and slaughter cattle prices. The behavior of this premium followed a typical seasonal pattern through late July. A combination of favorable corn crop development weather in July and strong Live Cattle futures prices for 2018 delivery contracts that began during the summer have provided the foundation for excellent feeder cattle demand.

The peak in the premium of feeder cattle prices relative to slaughter cattle values for the year occurred in early October. Cattle producers placated feedlot operators willingness to pay higher prices by selling more cattle to feedlots. Year-to-date placements of cattle into feedlots are up 9% from 2016 through October. Placements in October were up 10% from the prior October.

### FEEDER CATTLE RECEIPTS

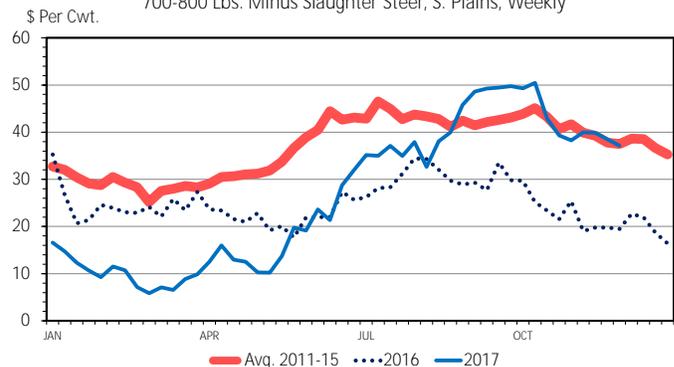


Source: USDA-AMS SJ LS850 Livestock Marketing Information Center

In recent months, weekly data on receipts of feeder cattle moving through marketing channels by USDA-AMS (Agricultural Marketing Service) has tracked consistently with trends seen in monthly feedlot placements reported by USDA-NASS (National Agricultural Statistics Service). Weekly feeder cattle receipts in October were up 9.9% from the prior October. The graph above shows the pattern of receipts during the last three months with a peak that lagged the high point of the ratio between feeder cattle and slaughter cattle prices by 3-4 weeks. Similarly, receipts fell below year earlier volumes in mid-November, again consistent with the relationship between feeder and slaughter cattle prices 3-4 weeks prior. The last three weeks have seen receipts below prior year volume in each week, only the third time this has happened in 2017.

### FEEDER STEER vs FED STEER PRICES

700-800 Lbs. Minus Slaughter Steer, S. Plains, Weekly



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

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The other times that occurred was in August and May. Total feeder cattle market receipts for the four weeks in November (the last week ending on December 2) were down 0.8% after starting out the month significantly higher than a year ago.

The bulk of the decline in feeder cattle marketings in November is accounted for by fewer cattle weighing over 600 pounds. November receipts of these heavier weight cattle were down 9.7% from last year. Calves born in 2016 are the dominant source of supply for these feeder cattle marketings and the 2016 calf crop was only up 3% from the prior year. The larger marketings in prior months of 2017 was probably at the expense of feeder cattle marketings in November.

### FEEDER CATTLE RECEIPTS CATTLE WEIGHING > 600



Source: USDA-AMS SJ LS850 Livestock Marketing Information Center



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