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In The Cattle Markets

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Beef in Cold Storage Situation

Somewhat hidden under the discussion about the cattle on feed report last week was the release of the most recent report on beef in cold storage. The Cold Storage report indicated that frozen stocks were at 476.3 million pounds on August 31st. This represented a 10.3 percent increase in stocks as compared to July. On a percentage point basis, this was the largest increase for August stocks over July since 2002. It also followed moderate month-over-month increases for the previous three months. Cold storage inventories typically seasonally increase near the end of the year and then decline into the summer grilling-season months.

Cold Storage beef inventory is defined as frozen beef supplies maintained in commercial warehouses for over 30 days. It is reported for two categories: boneless beef and beef cuts. These inventories include a mix of boneless beef trimmings and muscle cuts along with bone-in beef cuts. Boneless beef represented about over 92 percent of the beef in cold storage in August. Each category showed a 10 percent or higher increase over July.

An overwhelming majority of the total beef produced in the U.S. never enters cold storage. However, cold storage behavior can be indicative of overall market conditions and is worth watching when beef production is increasing. Cold storage inventories are primarily driven by the ground beef market and international trade. Stocks may build up due to larger imports or to support larger exports as pointed out in the latest Livestock Monitor by the Livestock Marketing Information Center (available [here](#)).

While we have seen increases over the past few months, cold storage inventories have remained below 2016 levels on a monthly basis since February despite increases in beef production. Beef production in July was four percent higher than July 2016. The large increase from July to August still leaves inventories just below the August 2016 total (less than one percent lower). Granted, cold storage inventories were large in 2016. While beef in cold storage is only a small component of the total beef supply picture, year-over-year stocks are not increasing even with larger beef production.

The Markets

Fed cattle prices were mostly steady last week. The choice cutout value strengthened to the highest level since mid-August. Feeder price changes were mixed depending on location. Fed and feeder prices as well as the cutout value all remain higher than a year ago.

<i>Data Source: USDA-AMS Market News</i>		Week of 9/29/17	Week of 9/22/17	Week of 9/30/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$108.01	\$108.50	\$102.65
	all grades, dressed weight, \$/cwt	\$171.73	\$170.64	\$161.54
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$195.81	\$191.98	\$188.63
	Choice-Select Spread, \$/cwt	\$5.51	\$3.54	\$9.43
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$153.63	\$157.48	\$134.94
	Nebraska 7-market, \$/cwt	\$168.91	\$164.01	\$141.79
	Oklahoma 8-market, \$/cwt	\$153.35	\$156.31	\$132.20
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$169.89	\$172.47	\$130.46
	Nebraska 7-market, \$/cwt	\$187.53	\$177.04	\$144.83
	Oklahoma 8-market, \$/cwt	\$158.51	\$158.92	\$132.82
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.12	\$3.10	\$2.94
	DDGS, Nebraska, \$/ton	\$107.50	\$106.50	\$114.70