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## **In The Cattle Markets**

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### **Cold Storage Grows, Cattle on Feed Lower than Expected**

Two key USDA reports were released on Friday: monthly Cold Storage and Cattle on Feed. Cold Storage indicated frozen stocks of beef have continued to increase, adding 9% compared to August and up 4% compared to last year. This also marks the fifth consecutive month beef inventories have increased month over month. Beef inventory is tracked by two categories: boneless beef and beef cuts. Boneless beef represents over 90% of the beef in cold storage. Boneless product has led the two categories in large increases seen this year, adding two new record high inventories this year since 1973. September has been the highest totaling over 478 million pounds of boneless product. Overall this report continues to point to lower beef prices given the overhang in inventories. However, last week's ICM pointed out exports have increased late in the year, the majority of which is boneless product.

Cattle of Feed report indicated fewer cattle are being placed than a year ago, while marketings are 5.5% higher. Analysts estimated all three, cattle on feed, placements and marketings would be greater than last year's numbers. In reality cattle on feed Oct 1, was about even with last year, missing estimates by 1.3%. The largest surprise was the change in cattle placed. Expectations were for a 3.6% gain on 2015, but actuals came in 1.9% below last year's October report.

October Cattle on Feed is also a quarterly report that breaks down cattle on feed by class. The number of heifers on feed continued to be higher than 2015 numbers, reflective of a slowing in the expansionary phase of the U.S. beef herd. Heifers on feed totaled 3.4 million animals compared to 3.5 million in July 2016, and 3.3 million in October of last year. The U.S. beef herd is still expected to show a year over year increase on the January 1 cattle inventory report, but will likely be less than 2% rather than the 3.5% we saw at the beginning of this year.

### **The Markets**

Fed cattle futures prices moved sharply higher Friday and Monday after report. The December contract added over \$4 per hundredweight from the Thursday's settlement price. The five area fed steer price ended the week 2% higher than the previous week, while markets in Nebraska, Montana and Oklahoma were mixed. The spread between choice and select continued to widen last week increasing to \$10.46, up 10% from the previous week, and over \$4 per hundredweight higher than this week last year.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 10/21/16</b>	<b>Week of 10/14/16</b>	<b>Week of 10/23/15</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$99.24	\$97.59	\$135.38
	all grades, dressed weight, \$/cwt	\$157.15	\$153.93	\$208.49
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$179.99	\$182.43	\$216.03
	Choice-Select Spread, \$/cwt	\$10.46	\$9.54	\$6.26
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$118.88	\$113.72	\$201.95
	Nebraska 7-market, \$/cwt	\$121.59	\$126.61	\$206.02
	Oklahoma 8-market, \$/cwt	\$121.75	\$122.22	\$195.13
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$124.99	\$124.52	\$221.36
	Nebraska 7-market, \$/cwt	\$133.85	\$130.03	\$232.87
	Oklahoma 8-market, \$/cwt	\$121.81	\$124.43	\$210.58
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.06	\$3.05	\$3.48
	DDGS, Nebraska, \$/ton	\$109.00	\$110.25	\$112.00