

## In The Cattle Markets

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### Increased Feedlot Placements Follow Record Prices

The United States Department of Agriculture's National Agricultural Statistics Service (USDA, NASS) released their monthly [Cattle on Feed](#) report Friday afternoon (Oct 24). The report revealed that 10.058 million head of cattle were in U.S. feedlots with a capacity of 1,000 head or larger on October 1, 2014. Placements into feedlots during the month of September totaled 2.007 million head while marketings during the same month totaled 1.683 million head.

Placements totaled 2.007 million head, an increase of 1.0% from September 2013 but registered a 11.3% decrease from the five-year average from 2009 to 2013. This marks the first increase since February and only the third for the year (January was the other year-over-year increase). The increase from last year is the result of extremely small placements in September, the lowest on record, and the current September reading is the third lowest (being beat out by September 2012 by 3,000 head). The average of analysts' expectations called for an increase of 1.4% from last year and the range of expectations was wide, running from -6.9% to +7.0%. So, it was somewhat expected that placements would increase. This is a rational thought when considering the high price levels seen for feeder cattle during September, therefore urging producers to send cattle into feedlots.

Placements by weight group were mixed with cattle placed weighing less than 600 pounds being down 1.1% from last year, those placed between 600 and 699 pounds up 1.5%, placements between 700 and 799 pounds down 8.0%, and placements over 800 pounds up 8.0%. As Steve Meyer and Len Steiner at the *Daily Livestock Report* noted, this indicates that the volume of available cattle in the spring of 2015 would likely increase due to the lighter placements in mid summer and now heavier placements the past two months. The average placement weight increased marginally month-over-month to 725.6 pounds, and is about five pounds higher than the 5-year average of 720.5 for September. Placements in the major feeding region (CO, KS, NE, and TX) were higher in all states but Texas (down 5.3%).

Cattle marketed in September totaled 1.683 million head, down 0.5% versus last year and down 2.96% compared to the average from 2009 to 2013. This is the third smallest marketings for September and, once again, is indicative of the tight supplies of available cattle to market. Pre-report expectations called for marketings to come in at a 0.5% year-over-year drop, so the reported value was right in-line with this averaged expectation.

The total number of cattle in feedlots with 1,000 head or larger capacity totaled 10.058 million head, down 0.5% versus October 2013 and 6.3% lower than the five-year average. The number of cattle on feed was close to pre-report expectations that looked for a 0.3% decline.

The October report each year provides the quarterly inventory of cattle by classification. Of the 10.058 million head, 6.460 million were steers (64%), 3.547 million were heifers (35%), and 51,000 were cows and bulls (0.5%). Of course, everyone was waiting for the number of heifers in the feedlot to get a feel for expansion. This October 1 reading was 3.1% lower than last year and 1.5% lower than the July 1, 2014 inventory. These are comparatively different from the number of steers on feed -- down 0.8% from last year and even with July -- so, it appears that heifers are being held back. An additional story line to this number is that feedlots are reportedly “feeding” some of these heifers with the intention of selling them as replacements, so the expansion numbers could be even larger than this report is showing and is supported by increased disappearance the past few months.

The report was largely viewed as neutral to slightly bullish in trading on Monday. Outside markets were mostly steady, which helped keep cattle futures trading on par with the fundamentals within the report.

### The Markets

Cash fed cattle prices were higher this week. The five-area live and dressed steer prices were \$168.67 and \$263.80, respectively, up \$4.93 and \$6.05. Wholesale Choice boxed beef prices moved higher until mid-week and then slipped back, falling sharply on Friday. Choice boxes averaged \$249.50, up \$0.25. Heavy feeders were down in Oklahoma and Nebraska while light feeders were mostly steady. Corn continues to improve despite harvest progression.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 10/24/14</b>	<b>Week of 10/17/14</b>	<b>Week of 10/25/13</b>
<b>5-Area Fed Steer Price</b>	all grades, live weight, \$/cwt	\$168.79	\$163.76	\$132.23
	all grades, dressed weight, \$/cwt	\$264.79	\$257.75	\$207.77
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$249.50	\$249.26	\$200.09
	Choice-Select Spread, \$/cwt	\$15.22	\$13.73	\$15.96
<b>700-800 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$245.69	\$250.71	\$171.00
	Oklahoma 8-market average, \$/cwt	\$239.44	\$245.35	\$167.76
<b>500-600 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$293.32	\$293.57	\$193.12
	Oklahoma 8-market average, \$/cwt	\$274.25	\$272.00	\$180.50
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.23	\$3.09	\$4.33
	DDGS Price, Nebraska, \$/ton	\$105.85	\$111.75	\$200.00