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## In The Cattle Markets

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### Inventories Taking Shape

Last week brought a flurry of market information from various NASS reports that give added insight into the cattle supply situation and the inventory levels likely in 2019. In the November *Cattle on Feed* report, placements were lower and marketings were higher than year ago levels. The placements were at the very low end of trade expectations, while marketings were at the very high end of trade expectations. The slight bump in futures last week, however, did not last long. The latest on-feed total of 11.7 million head continues to be a large absolute level of cattle to work through. Spatially, there was little disparity in the on-feed totals across major feedlot states. The marketings were a little higher in Nebraska than in other states. The implication of these factors is that the number on-feed is narrowing back toward the 2017 level.

There was a slowdown in placements weighing less than 800 pounds. Recent months have had larger levels of lighter placements, which partially explains why more cattle have been on feed for greater than 90 and greater than 120 days. In the *Cold Storage* report, there was slightly more beef stocks, but slightly less pork stocks as of October 31. In the *Livestock Slaughter* report, weights were unchanged for most classes. Both beef cow and dairy cow slaughter were up sharply during October. Year to date, there have been fewer steers and more heifers slaughtered compared to this time last year. Recall in the October *Cattle on Feed* report, the quarterly heifer mix was up compared to July 1 and up compared to a year earlier. An implication of these factors is that more heifers on feed limits the increase in beef production. The average steer dressed weight is about 70 pounds heavier than the average heifer dressed weight.

Other inventory indicators continue to take shape. The total cattle inventory at the beginning of 2018 was 94.4 million head. Extrapolating data on slaughter volumes and cattle trade flows, largely with Mexico and Canada, one can begin to obtain a balance sheet view of cattle inventories. For 2018, exports look to be unchanged from 2017 while imports look to be down slightly. NASS estimates the calf crop was higher. Slaughter is running at a higher pace than a year ago. The five-year average death loss as a percent of supply is about 3%. Adding up all of the changes suggests a 2019 inventory of 95.3 million head. Similarly, the 2018 beef cow inventory was 31.7 million head. The Economic Research Service (ERS) has a breakdown that relates replacements to inventory levels. On July 1, NASS estimated the beef cow inventory level at 32.5 million head. To that, add 25% of the July 1 beef replacements, or have 1.15 million head join the cow herd. Then subtract expected death loss and extrapolated cow slaughter for the second half of the year (1.71 million head), leaving 31.16 million head for January 1, 2019. The total inventory is slightly above and the beef cow inventory is slightly below the new USDA baseline estimates.

## The Markets

In the cash market, fed cattle traded higher for the week. Feeder cattle were mixed, but the holiday often makes comparisons difficult. In South Dakota the price for calves had been holding close to year-ago levels until mid-November brought harvest delays and some supply pressure. Feed prices were slightly lower for the week. The implied volatility remains low in both live cattle and feeder cattle futures markets, keeping the cost to offset risk moderate.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 11/23/18</b>	<b>Week of 11/16/18</b>	<b>Week of 11/24/17</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$115.39	\$113.00	\$118.97
	all grades, dressed weight, \$/cwt	\$181.89	\$177.38	\$189.09
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$213.76	\$213.85	\$208.70
	Choice-Select Spread, \$/cwt	\$15.31	\$15.51	\$20.40
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	\$145.63	--
	Nebraska 7-market, \$/cwt	\$153.44	\$157.42	--
	Oklahoma 8-market, \$/cwt	--	\$144.92	--
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	\$166.02	--
	Nebraska 7-market, \$/cwt	\$176.52	\$172.51	--
	Oklahoma 8-market, \$/cwt	--	\$162.32	--
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.47	\$3.52	\$3.20
	DDGS, Nebraska, \$/ton	\$143.00	\$140.00	\$140.13