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In The Cattle Markets

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Larger Placements Likely in the Upcoming Cattle on Feed Report

Friday December 22nd brings the next USDA Cattle on Feed report. The last few months delivered large levels of marketings and placements, and growing numbers of cattle on feed. Good retail beef demand and good demand for live cattle from profitable packers has pulled cattle ahead through feedlots and that continued by pulling feeder cattle ahead into feedlots.

The December cattle on feed report should bring more of the same. Marketings should be around 3.3 percent more than a year ago. That would be the largest November marketings since the Cattle on Feed report began in its current form. There is some evidence that marketings are beginning to slow from the fast pace seen earlier in the year.

Market analysts, again, have a wide range of expectations for placements, from up about 3 percent to over a 10 percent jump. Placements towards the top end of the range would be the largest since the mid-2000s, while placements up about 6.7 percent would be the largest since 2011. A growing cow herd continues to provide the base for more placements. It is likely that dry conditions in the Southern Plains hindering winter pasture development may have forced more to feedlots. Feeder cattle imports from Mexico were up about 50,000 head in November compared to a year ago. Normally, many of those cattle would be going to winter pastures, but perhaps more went to feedlots given dry conditions. There were also, likely, some good opportunities to place cattle, especially early in the month. The expectation is that many more heifers are being placed reflecting more heifers born to the larger cow herd, but fewer being held back to replace cows.

Combining marketings and placements leaves expected cattle on feed for December 1 up 6.9 percent from a year ago. That would be the most December cattle on feed since 2011, as the drought was pushing more cattle to feedlots. Beef and live cattle demand will be critical in the coming months to avoid large price declines given this number of cattle on feed.

USDA also has a Hogs and Pigs report coming out later this week. While this newsletter focuses on cattle and beef, competing meat supplies are going to be an important factor in 2018 beef prices. USDA is expected to report that hog producers are expanding their breeding herd to the tune of about 1 percent over a year ago. All hog and pig inventories are expected to be up about 2 percent. Hog slaughter last week set a new all-time weekly record of 2.573 million head. There will be plenty of pork to compete with record beef supplies next year.

I wish you all a Merry Christmas!

The Markets

Fed cattle prices climbed about \$1-2 per cwt last week, to \$118-119 per cwt. Some late Friday sales hit \$120 leading to hopes of higher prices this week. Choice and Select beef cutouts both climbed a bit to kick off this week, with the spread narrowing a bit over the last couple of weeks.

| <i>Data Source: USDA-AMS Market News</i> | | Week of 12/15/17 | Week of 12/8/17 | Week of 12/16/16 |
|--|------------------------------------|-----------------------------|----------------------------|-----------------------------|
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$119.71 | \$117.46 | \$111.39 |
| | all grades, dressed weight, \$/cwt | \$188.92 | \$187.06 | \$174.13 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$203.00 | \$206.87 | \$192.05 |
| | Choice-Select Spread, \$/cwt | \$18.29 | \$21.65 | \$14.99 |
| 700-800 lb. Feeder Steer | Montana 3-market, \$/cwt | \$151.21 | \$155.31 | \$126.76 |
| | Nebraska 7-market, \$/cwt | \$164.21 | \$165.75 | \$138.02 |
| | Oklahoma 8-market, \$/cwt | \$150.05 | \$154.03 | \$131.75 |
| 500-600 lb. Feeder Steer | Montana 3-market, \$/cwt | \$178.25 | \$174.79 | \$144.11 |
| | Nebraska 7-market, \$/cwt | \$179.94 | \$182.99 | \$150.05 |
| | Oklahoma 8-market, \$/cwt | \$168.21 | \$167.91 | \$144.28 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$3.22 | \$3.22 | \$3.27 |
| | DDGS, Nebraska, \$/ton | \$147.50 | \$144.00 | \$107.50 |