

Livestock Marketing Information Newsletter

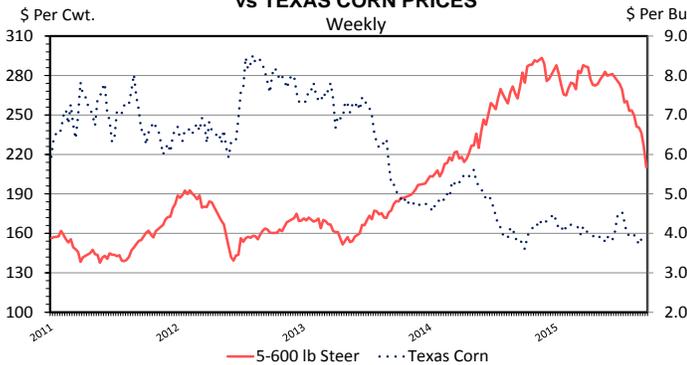


WSU Extension
<http://ext.wsu.edu>

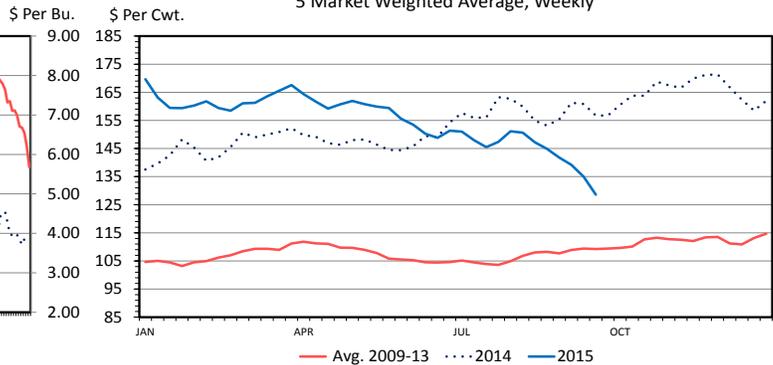
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E-NEWSLETTER FOR WASHINGTON'S LIVESTOCK INDUSTRY

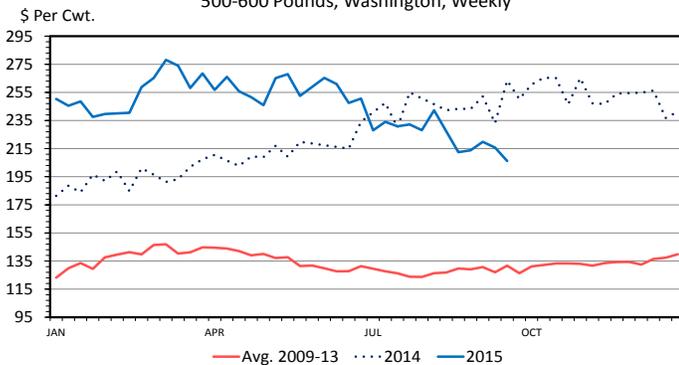
SOUTHERN PLAINS CALF PRICES vs TEXAS CORN PRICES
 Weekly



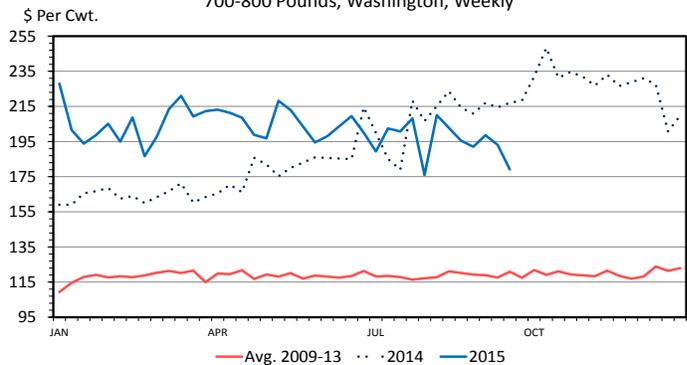
SLAUGHTER STEER PRICES
 5 Market Weighted Average, Weekly



MED. & LRG. #1 & 2 STEER CALF PRICES
 500-600 Pounds, Washington, Weekly



MED. & LRG. #1 & 2 FEEDER STEER PRICES
 700-800 Pounds, Washington, Weekly



(All graphs courtesy of the Livestock Marketing Information Center – lmic.info)

in the cattle markets – Brenda Boetel, Univ. of Wisconsin (September 28)

THE IMPORTANCE OF BEEF IMPORTS TO THE US CATTLE PRODUCER

The USDA ERS livestock and meat trade data released in September showed an increase in beef imports of 32% coupled with a decrease of 10% in beef exports. Given current trade expectations, approximately 14% of the US supply of beef in 2015 will be from imports, as compared to 12% in 2014. The recent decline in cattle price combined with these changes in trade have many questioning the reason for beef imports and the importance of these imports to the US cattle producer.

The primary sources of domestic beef are grain-fed cattle and culled dairy cows. US exports of beef consist

primarily of the high-valued beef cuts in the form of steaks and roasts from grain-fed cattle, whereas beef imports are primarily ground beef. Retail level ground beef is typically made up of different combinations of lean trimmings. For example, 76% lean hamburger is determined by blending 90CL trimmings with 50CL trimmings. The majority of 50CL trimmings come from grain-fed cattle, while 90CL trimmings are from culled cows or grass-fed cattle. The majority of US beef imports are from countries that produce grass-fed cattle and without these imports the US would have significantly less 90CL trimmings that are used in hamburger. The US could produce a greater amount of lean beef and

decrease imports, but by doing so there would eventually be a decrease in the production of high-value beef cuts that are consumed domestically or exported.

The recent decline in cattle prices combined with the increase in beef imports has prompted several comments regarding the need to restrict beef imports as the lower total supply of beef would support cattle prices. This solution is problematic in the long term. In the short term, the US would have a challenging time filling the needs for lean beef due to decreased cow slaughter and heavier finished cattle weights. Hence the 90CL beef price would increase, eventually increasing the retail price of ground beef. Beef is already the highest priced protein product and additional increases would likely shift consumer demand faster from high cost beef to lower cost poultry or pork. Additionally, the long-term increases in production of lean beef would decrease the more profitable sales of high-valued cuts both

domestically and in the export market further reducing the overall profit margin for US cattle producers.

As herd rebuilding continues and the US supply of grain-fed beef grows, the US supply of lean beef will likely continue to decrease due to heavier finishing weights and decreased cow slaughter. This indicates that higher, not lower, levels of imports will be needed to meet US demand needs and keep market share from shifting to lower price alternatives such as poultry and pork products.

The Markets

Live cattle and feeder cattle futures were volatile last week as prices plunged through Thursday, only to see limit increases on Friday. Cash markets also traded mostly lower and will likely continue to do so until the supply of heavy cattle is diminished. The choice beef cutout value plunged \$13.11, or 5.9% to a 19-month low. <http://lmic.info/publications/in-the-cattle-markets>

LMIC Livestock Monitor (September 25, 2015)

Production			Prices			
			Weekly Average (\$/Cwt)			
Week Ending 9/26/2015	Last	Year Ago		Last	Week Ago	Year Ago
FI Cattle Slaughter (Thou Hd)	574	573	Live Steer	128.47	134.93	156.75
FI Hog Slaughter (Thou Hd)	2276	2090	Dressed Steer	202.47	212.63	245.78
FI Sheep Slaughter (Thou Hd)	42	40	Choice Beef Cutout	218.66	231.77	239.62
Live Y. Chicken Sl. (Mil Hd)	163.3	157.3	USDA Hide/Offal	12.28	12.36	16.47
			GA Auction Fdr. Str. (6-7 Cwt.)	NQ	189.96	221.78
Slaughter Cattle Live Weight	1377	1351	Iowa/S. Minn. Base Hog	69.35	68.18	107.73
Slaughter Hog Live Weight	279	284	Natl. Net Hog Carcass	72.07	71.55	105.62
Slaughter Lamb/Sheep Live Wt.	135	130	Feeder Pigs (40 Lbs) (\$/Head)	43.23	43.47	82.00
Beef Production (Mil Pounds)	482.9	470.6	Pork Cutout	83.23	83.53	117.48
Pork Production (Mil Pounds)	475.3	444.8	Lamb Cutout	327.43	323.51	339.45
Lamb, Mutton Prod. (Mil Lbs.)	2.8	2.6	Corn, Omaha (\$/Bu)	3.56	3.55	2.98
Previous 6 Wk. Moving Avg.			Wheat, Portland (\$/Bu)	NQ	5.38	6.54
Total Beef (Mil Lbs)	463.0	468.7	Wheat, Kansas City (\$/Bu)	4.60	4.42	5.49
Total Pork (Mil Lbs)	460.8	422.2	Soybeans, Cntrl IL (\$/Bu)	8.68	9.00	9.15
Total Lamb, Mutton (Mil Lbs)	2.6	2.5				

Source: Various USDA-AMS reports. Some data are preliminary.

CATTLE WEIGHTS IMPACT MARKET

Weekly steer dressed weights continue to surge higher and set new records. The most recent Federally Inspected (FI) steer dressed weight came in at 919 pounds for the week ending September 12th. FI heifer weights are following the increasing trend also, most recently recording 826 pounds. Important to remember is, that the average cattle dressed weights reported at the end of each week by USDA-AMS are preliminary and lag

by two weeks. That is, AMS reports a weighted average cattle dressed weight through current week, but those weights are calculated using a moving average and when weights are moving this high this fast, the two weeks of estimated weights will be revised higher. So, the weekly preliminary weights are currently not fully reflecting what is transpiring in the market place.

Although record high cattle weights have been discussed substantially during the past year, they are extremely pertinent to the current situation feedlots and packers have found themselves in, and the current situation also spilling over into yearling and calf markets. With lower than expected marketings month after month this year, and relatively cheaper costs of gain from the feeder perspective, additional pounds continued to be added to fed cattle. When fed prices were at \$165 per cwt. this was a great idea. Cattle feeders backed themselves into a corner with an oversupply of very fat animals that need to be turned into beef. This unquestioningly gave packers the upper hand and when coupled with the collapsing price of 50's trim (down 15% for the week and 60% below one year ago), incentive to significantly increase kill levels of over finished cattle (at high prices) was lost. All of a sudden, there was a serious market problem developed.

Packers are buying fed cattle, at heavily reduced prices compared to just a few weeks ago, but are also scheduling those cattle for delivery three to four weeks out (according to industry reports). It will take some time for the backlog of cattle that need to be marketed, and those that should have already been sold several weeks or more ago, to move through the system.

There are many unknowns in this puzzle, but probably the biggest question is just how many heavy cattle on the front end still need to be worked through? Lower cutout prices are good news for retailers coming into the holiday season and will encourage them to step-up their beef features, but those adjustments take some time to implement.

FED CATTLE PRICE COLLAPSE, HOW DO RECENT WEEKS STACK-UP?

Taking a look back at weekly average negotiated or cash marketed cattle prices over time how does the recent 8-week sharp drop compare? USDA's Agricultural Marketing Service (Market News) began transitioning away from focusing their reports on terminal market prices (e.g. Omaha) in the early 1970's because direct transactions between packers and cattle feedlots in the High Plains states had become the norm. LMIC maintains historical data sets and we will evaluate the weekly slaughter steer data for Kansas back to the first week of January, 1974.

Since the week ending August 7, 2015, fed cattle prices dropped every week. Over the eight weeks since then (through the week ending September 25th), the Kansas price decline was 13.4% (from \$150.06 per cwt. to \$129.94). We will compare that price drop to the historical data set in two ways: 1) looking at all 8-week periods; and 2) summarizing changes that normally happen between the first week of August and the end of September. Since 1974, over all 8-week periods (change over 7 weeks), large declines have happened before, but the recent drop was the largest since the week ending May 27, 2011 (drop was 15.4%) the next drop of over 13% was in 2004. Over the 41 years evaluated (including this year), 10

years (24%) had at least one period of a 13% or larger decline and the largest was the week ending December 26, 2003 (down 26.2%). Overall, declines of 13% or more sometime in a year are not uncommon, occurring on average roughly one out of every four years.

The next question is, how does this year's drop of over 13% from early August until late September compare to prior years? During that timeframe, over the last 41 years, only 14 years (or 34%) had any decline in price. Interestingly, during this 41 year time frame, the drop this year was only one of two drops total that were larger than 10%, and the biggest (only other occurrence) was in 1974 -- down 18.9%. So, for this time of year, the fed market decline was unusually large and occurred when prices are normally increasing some.

QUARTERLY HOG AND PIG NUMBERS AS EXPECTED

USDA-NASS released the September 1, 2015 Hogs and Pigs report (Friday September 25th) showing numbers as anticipated. The number of total animals in the U.S. (up 3.7% year-over-year) and the number of market hogs (3.9% above a year ago) were both record large. The U.S. market hog count was 62.41 million head. Importantly, the breakdown data indicated that the increase in market animals is front-end-loaded. As of September 1st, the heavyweight categories were up (e.g. the number of animals in the 120-179 pounds range were up 8%); in contrast, the number of light weight pigs (under 50 pounds) was down 0.5% year-on-year.

The breeding herd count at 5.986 million head was 1% above 2014's, a rather modest increase. Still, the U.S. breeding herd was the largest for September 1st since 2008. The number of pigs weaned per litter in June through August was record large at 10.39, indicating trend growth rates had returned. As in recent reports, PED virus was not a major factor depressing the number of pigs per litter. Producers reported June-August sows farrowed were below a year ago (down 1.6%) and another reduction is in their plans for September-November.

Calendar year 2015 has been one of large year-over-year increases in hog slaughter; of course, the comparison is to the PED virus reduced levels of last year. The largest year-over-year increase in 2015 was for the third quarter, projected to be up 10.5% to 11.0%, while the fourth quarter is expected to be 6% to 7% above 2014's. Some quarters in 2016 could have slight declines in hog slaughter compared to 2015. U.S. pork production may be about unchanged in calendar year 2016 relative to 2015's.

LMIC projects that slaughter hog prices in 2015 will be about 30% below 2014's and at the lowest annual average since 2009. Currently, forecasts for 2016 suggest only the first quarter of that year may have lower hog prices than occurred in 2015. For the year, prices could actually increase slightly. There are two major unknowns for 2016: 1) on the supply side, the question is how much of an impact PED virus will have this winter on piglet survival; and 2) on the demand side the major

question is to what extent U.S. pork export tonnage will rebound. <http://lmic.info/tac/Monitor/monitorframe.html>

Ron Plain hog outlook

USDA's September Hogs & Pigs report had no big surprises. The market hog inventory was up 3.9% on September 1 which is the same as the average of pre-release trade predictions. The 180 pounds plus weight group was up 9.5%, 120-179 pounds group up 8.0%, 50-119 pounds up 3.0%, and under 50 pounds down 0.5%. Based on preliminary numbers, September hog slaughter was up 10.3%. So, USDA's heavy weight number may be a tad bit low.

The farrowing numbers in the September hog survey were somewhat bearish as both summer and fall farrowings were down less than both the average trade prediction and the June Hogs & Pigs forecast. USDA said that June-August farrowings were down 1.6%. The average of pre-release trade forecasts were for summer farrowings to be down 1.9%. The June Hogs & Pigs report predicted June-August farrowings would be down 2.5%. USDA said farrowing intentions for September-November are down 2.5%. The pre-release trade average was for down 2.8%. The June inventory report predicted fall farrowings would be down 4.3%. USDA said December-February farrowing intentions are likely to be down 0.7%. The trade estimate was down 0.9%.

USDA said pigs per litter during June-August were a record 10.39 head which is up 2.3% from a year ago. Producers have quickly learned how to cope with the PED virus.

Thursday's negotiated carcass price for plant delivered hogs averaged \$70.65/cwt which is \$1.89 higher than a week earlier.

The national negotiated barrow and gilt price on the morning report today was \$69.83/cwt, up \$3.10 from last Friday morning. The western corn belt averaged \$70.71/cwt this morning, up \$1.87 for the week. There were no negotiated price quotes this morning for the eastern corn belt or Iowa-Minnesota.

Peoria had a top live price today of \$44/cwt, up \$1 from last Friday. The top price today for interior Missouri live hogs was \$48.25/cwt, up \$2.25 from the previous Friday.

This morning's pork cutout value was \$86.51/cwt FOB the plants. That is up \$2.22 from the week before. This morning's national negotiated hog price was only 80.7% of the cutout value.

This week's hog slaughter totaled 2.27 million head, down 0.3% from last week, but up 8.9% from the same week last year. The average live slaughter weight of barrows and gilts in Iowa-Minnesota last week was 279.7 pounds, up 0.8 pound from a week earlier, but down 4.9 pounds from a year ago. This was the 27th consecutive week with weights lighter than last year.

The October lean hog futures contract settled today at \$73.35/cwt, up \$1.47 for the week. December hog futures ended the week at \$65.375/cwt, down 40 cents from the week before. February hogs lost 73 cents this week to close at \$68.225/cwt. April closed at \$72.125/cwt.

The December corn futures contracted settled at \$3.8925 per bushel today. That is up a quarter of a cent from last Friday. <http://agebb.missouri.edu/mkt/bull1c.htm>

Ron Plain cattle outlook

Fed cattle prices were sharply lower this week on good volume. Through Thursday, the 5-area average price for slaughter steers sold on a live weight basis was \$118.61/cwt, down \$9.86 from last week's average and down \$41.37 from a year ago. The 5 area average dressed price this week for steers was \$187.51/cwt, down \$14.96 for the week and down \$64.49 compared to the same week last year.

Slaughter steer prices have been lower each week since the start of August. This week's 5 area average live price for slaughter steers is down \$23.14 from four weeks ago and down \$32.52 from 8 weeks ago.

The price decline is due to a quick, unexpected turn-around in beef production. This is the third consecutive week that beef production has been above the year ago level. This follows nearly 100 weeks when daily beef production was consistently below the year-ago level.

Heavy weights are a big part of the problem. The average steer dressed weight for the week ending on September 19 was 923 pounds, up 4 pounds from the week before, up 36 pounds compared to the same week last year, above the year-ago level for the 66th consecutive week, and record high for the fourth consecutive week. Cattle slaughter this week totaled 571,000 head, down 0.5% from the week before and down 1.0% from the same week last year.

The Bureau of Labor Statistics says the U.S. economy added 58,800 fewer jobs during July and August than earlier reported and added 61,000 fewer jobs than expected in September. They also said that the average work week declined by 0.1 hour and the average wage declined by a penny. None of this is positive for meat demand.

This morning the choice boxed beef cutout value was \$206.75/cwt, down \$6.70 from the previous Friday. The select carcass cutout was \$203.38/cwt this morning down \$7.30 from last week.

Feeder cattle prices at Oklahoma City were \$3 to \$8 lower this week. Prices for medium and large frame #1 steers by weight group were: 400-450# \$219-\$243, 450-500# \$217-\$231, 500-550# \$204-\$220, 550-600# \$181-\$210, 600-650# \$185-\$207.50, 650-700# \$167-\$202, 700-750# \$174-\$197.50, 750-800# \$167-\$194, 800-900# \$167.50-\$188.50 and 900-1000#, \$170-\$176.85/cwt.

Cattle futures also were lower again this week. The October live cattle futures contract settled at \$123.07/cwt today, down an astounding \$10.63 for the week. December fed cattle settled at \$131.37/cwt, down \$5.63 from the previous week. February fed cattle settled at \$133.72/cwt, off \$3.78 for the week.

October feeder cattle ended the week at \$179.50/cwt, down \$5.10 from a week earlier. November lost \$7.08 this week and closed at \$174.52/cwt.

<http://agebb.missouri.edu/mkt/bull2c.htm>

USDA MARKET NEWS – MOSES LAKE

Washington feeder cattle report

(Davenport & Toppenish) Compared to last week's light test, stocker and feeder cattle 4.00-13.00 lower. A lower cattle complex throughout the week pressured prices. Slaughter cows and bulls 4.00-16.00 lower. Slaughter cows 36 percent, Slaughter bulls 10 percent, and feeders 54 percent of the supply. The feeder supply included 59 percent steers and 41 percent heifers. Near 40 percent of the run weighed over

600 lbs. http://www.ams.usda.gov/mnreports/ml_ls795.txt

Columbia Basin hay report

Compared to last Friday. Supreme and Premium dairy Alfalfa steady in a light test. Export Alfalfa steady. Timothy not tested this week. Trade remains slow. Plenty of last year's feeder hay still on the market. A strong dollar aboard is hurting exporters. Demand remains light. Retail/Feedstore steady to firm. Demand remains good. All prices are dollars per ton and FOB the farm or ranch unless otherwise stated. Delivered prices include freight, commissions and other expenses. http://www.ams.usda.gov/mnreports/ml_gr310.txt

national feeder & stocker cattle summary

Compared to last week, lower prices continued in the feeder cattle markets as feeder cattle and calves traded mostly 5.00-10.00 lower. Auction receipts were mostly light this week due to the hot temperatures and high humidity causing high heat index levels of near and over 110 degrees in areas across the Midwest and Southern Plains. Receipts for the most part continue to be dominated by yearling cattle over 700 lbs which is where the best demand exists at this time. Demand remains moderate to good with best demand in the Northern Plains for yearlings as on Tuesday in Philip, SD at the Philip Livestock Auction sold near 3200 head of mostly yearling cattle with near 300 head of steers weighing between 850-900 lbs averaging 884 lbs sold with a weighted average price of 212.74. Demand was very good in Kearney, NE at the Huss Platte Valley Livestock Auction on Wednesday where 228 head of yearling steers averaging 925 lbs sold with a weighted average price of 215.48. A number of good strings of calves and yearlings this week were on offer at the Superior Video Royale sale broadcast on Monday from Ft. Worth, TX then moving to Winnemucca, NV on Wednesday selling 137,000 head of cattle with the final report to be issued on Monday. Last week and

into Monday of this week Live Cattle and Feeder Cattle contracts took a pounding as long term bulls were nowhere to be found. The cattle complex did finally pull off a positive day of trading on Tuesday with triple-digit gains that extended with modest gains into Wednesday. But, the sometimes upside potential has no sense of urgency to rally much higher anytime soon. Last week USDA issued on Friday its Cattle on Feed Report and the July 1st Cattle Inventory Report all had lots of information and data but little effect on market impact. There were few surprises and no really bullish news to report. Pretty much everybody in the industry knows expansion is well underway, but it will be over a year before many of the heifers retained will calve. Lower corn market this week is having little effect in Feeder Cattle contracts so far as the fed cattle market has plenty of red ink flowing as the fed cattle market tries to carve out its summer low. Boxed-beef prices are at their lowest levels since last June and have this week gained some footing hopefully finding their summer low. Choice boxed-beef closed .09 cents lower on Friday at 233.25. Retailers still seem to be a bit lax in buying product and slow to stimulate consumer buying. A strong US dollar and weaker export demand from the Pacific Rim countries especially Hong Kong and Japan have beef exports struggling; also beef exports to Mexico have been laboring as well. Competing meat prices are strikingly lower than year ago levels as pork prices hit their all-time highs last summer during the PEDv outbreak and chicken prices were also stronger last year. The attitudes of many in the commodity markets who are trading is getting to be a little bitter and even irritable from grains, precious metals, energy markets, and the Stock Market all rocking back on their heels and struggling with selling interest in the market place at this time. Corn crop is now rated 70 percent good to excellent up 1 percent from last week, with 78 percent in the silking stage. Corn prices have moved lower this week as favorable weather is in the forecast for the next week. Auction volume included 50 percent weighing over 600 lbs and 37 percent heifers. This week's prices are on the web at:

http://www.ams.usda.gov/mnreports/sj_ls850.txt

nw direct feeder cattle summary

Compared to last week, yearling feeder cattle sold mostly 5.00-10.00 lower, with instances 15.00 lower. Calves traded mostly 5.00-15.00 lower with some sales 20.00 lower throughout the

Midwest and Southeast. Discounts are quickly becoming more severe on unweaned-fleshy types which complement the larger discounts on price trends on calves. The calf market pressure is typical of autumn's arrival with increase headcounts of new crop bawlers and the onset of warm days and cool nights. Pre-condition yard sickpens are starting to fill as the combination of separation anxiety and shipping fever takes its toll on new purchases. Cattle futures and cash prices continued their free-fall from last week with no-way of applying the brakes to stop the bleeding. Heavy liquidation selling took place again this week in the cattle futures with limit losses on Wednesday. Futures continued in their flush out mode on Thursday closing again with sharp triple-digit losses, but then traded limit higher to close on Friday; perhaps to give some hard to come by hope for next week. Any justification for high priced feeders has worn out its welcome, as losses keep mounting for cattle feeders and the near term outlook still looking bleak. This has the feeder cattle market accelerating to the downside as feeder cattle prices now stand as excessively overpriced. Last week's Cattle on Feed Report did have somewhat positive news in smaller placements than expected, but lower placements are not providing any help to the fed cattle or feeder cattle market. Market psychology and beef demand definitely need a reversal along with cleaning up heavy fed cattle coming to market. Fed cattle continue to trade lower again this week with trade on Wednesday in the Northern Plains trading 4.00-6.00 lower on live sales at 130.00, and dressed sales ranging 7.00-11.00 lower from 201.00-203.00. There were a few live sales from 125.00-128.00 reported on Thursday. USDA's Cold Storage Report was released Tuesday afternoon, with total red meat supplies in freezers up 3 percent from last month and 26 percent higher than last year. Total pounds of beef in cold storage were 2 percent higher than last month and 36 percent higher than last

year at just over 470 million lbs. Frozen pork supplies were up 4 percent from last month and 21 percent higher than last year at a little over 656 million lbs. Total poultry in cold storage came in at 1.266 million lbs, up 13 percent from last year. Boxed-beef prices have moved sharply lower this week with Choice boxed-beef closing 4.88 lower on Wednesday at 217.89, its lowest price since February of 2014. Losses continued into Friday with Choice boxed-beef closing 2.62 lower at 212.23, compared to last Friday's close at 226.30. Auction volume included 49 percent weighing over 600 lbs and 40 percent heifers.

http://www.ams.usda.gov/mnreports/ml_ls135.txt

national sheep summary

Compared to last week slaughter lambs were very uneven, mostly steady to 10.00 higher. Slaughter ewes were uneven, mostly steady to 10.00 lower. Feeder lambs were mostly steady to 5.00 higher. At San Angelo, TX 5950 head sold in a one day sale. No sales in Equity Electronic Auction. In direct trading slaughter ewes were not tested and feeder lambs were firm. 5800 head of negotiated sales of slaughter lambs were steady. 7500 head of formula sales under 55 lbs were not well tested; 55-65 lbs were 5.00-6.00 higher; 65-75 lbs were 2.00-3.00 higher; 75-85 lbs were 1.00-2.00 lower and over 85 lbs were not well tested. 6,126 carcasses sold with 45 lbs and down 44.19 higher; 45-55 lbs 3.29 higher; 55-75 lbs .33-1.01 higher; 75-85 lbs .81 lower and 85 lbs and up .25 higher. All sheep sold per hundred weight (CWT) unless otherwise specified. http://www.ams.usda.gov/mnreports/sa_ls855.txt

superior video

http://www.ams.usda.gov/mnreports/am_ls753.txt

NEWS

FED CATTLE MARKET PURGE CONTINUES

Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist

Fed cattle prices dropped over \$9.00/cwt last week to about \$125/cwt. Prices for pens over 80 percent Choice made up most of the volume and had a lower average price than lower grading pens of cattle. This has been the situation for several days and reflects the large supply of extremely heavy fed cattle. There are anecdotal reports of fed cattle in the Midwest with live weights up to 1900 pounds. These cattle are finally being marketed. The estimated weekly cattle slaughter last week was 574 thousand head, up fractionally from 573 thousand head one year ago. Estimated cattle carcass weights last week were 843 pounds, up 25 pounds from the same week last year. Estimated weekly beef production was up 2.6 percent year over year. The extra carcass weight is equivalent to adding over 17, 500 head to the weekly slaughter total at last year's carcass weights.

The most recent actual slaughter data (for the week ended September 12) showed record large steer carcass weights of 919 pounds, 13 pounds over last year's seasonal peak weight of 906 pounds in November. Heifer carcasses averaged 826 pounds, slightly below the record 830 pound level in November, 2014. With beef cow slaughter currently making up a larger proportion of total cow slaughter, cow carcass weights are falling; the current level of 638 pounds is down from the May peak of 660 pounds.

The boxed beef market reflects current large supplies of beef and especially Choice beef. Choice boxed beef prices have fallen faster than Select with Choice prices down \$14/cwt. this past week compared to a \$9.50/cwt. decrease in Select boxed beef prices. Choice boxed beef price ended the week at \$212.23/cwt. compared to \$209.80 for Select boxed beef. One result is an unusual counter-seasonal narrowing of the Choice-Select spread, dropping to \$2.43/cwt by the end of the week. Typically, the Choice-Select spread is around \$11/cwt. at this time of year.

It appears that the needed purge in fed cattle markets is underway. It will likely take another two or three weeks to complete the process and get feedlots current on marketings. The thoroughness of this will set the stage for fed markets for the remainder of the year. A peak in carcass weights and strong weekly slaughter totals will be indicators of successfully cleaning up this mess. It is important to remember that overall feedlot numbers are not burdensome (placements have been down for many months); it's just the supply of heavy cattle that is burdensome. Fed and boxed beef markets will be in a position for a significant recovery assuming the current purge is successful.

THE GROWING FED CATTLE MARKET PREDICAMENT

Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist

The September Cattle on Feed report showed August placements at 95 percent of last year and the lowest August placement level in the current cattle on feed data series back to 1996. The placement total was below pre-report estimates and may provide a bit of short-term boost to markets. However, lower placements are not providing much help for fed cattle markets. Feedlot placements the past six months are down 3.5 percent, some 349,000 head less than the same March through August period one year ago. Despite this, the September 1, 2015 on-feed inventory is up 2.7 percent; 267,000 head more than September 1, 2014. Although this monthly on-feed total was less than expected, the large inventory is increasingly a drag on fed cattle markets. What has been a "situation" for several months is rapidly turning into a "predicament".

It has been a challenging year for cattle feeders and feedlots have struggled continuously with lousy margins. The feedlot response to adverse market conditions has been to slow down feedlot turnover, adding days on feed and increasing fed cattle weights. This has resulted not only in growing feedlot inventories but a growing supply of extremely heavy cattle. Steer carcass weights for the year to date into early September were averaging 19 pounds heavier than last year. By the last week of August, average steer carcass weights were at 906 pounds, equal to the record weights last November. One week later, moving into September, steer carcass weights jumped to 914 pounds, a new record and up 25 pounds year over year on a weekly basis. Carcass weights often peak seasonally in the fourth quarter which could push annual average steer carcass weights 20 pounds or more over last year.

Fed cattle prices dropped roughly \$4/cwt. last week. After holding between \$145 and \$150/cwt. for the summer, the fed market has dropped at least \$10/cwt. the past three weeks; pushing the apparent summer lows into the fall. In addition to the cloud of global macroeconomic uncertainty, the fed market is increasingly burdened by lots of heavy fed cattle and the additional beef tonnage that goes with them. Year to date cattle slaughter is still down 6.6 percent but beef production so far this year is down only 4.3 percent with increased carcass weights making up the difference. Last week USDA estimated that cattle slaughter was about equal (fractionally higher) than the same week last year but weekly beef production was 3.1 percent higher year over year.

Market signals to pull back fed cattle weights are growing in recent weeks, with incentives such as increasing discounts for Yield grade 4 and 5 cattle augmenting lower fed prices as penalties for excess weight. The fed market has turned ugly and the only real fix at this point is to take our lumps; cough up the heavy cattle; and likely make the market even uglier for a period of time. Anticipated fourth quarter fed market improvement may be mostly or entirely wiped out if we continue to market excessively heavy cattle through the remainder of the year. The only real solution is to market our way out of this predicament. You can't rely on lower placements to fix the problem; placements are already low and have been for many months. Moreover, growing feeder supplies indicate that placements will begin increasing in the coming months. Will abruptly flushing heavy cattle out of feedlots ensure that feedlot margins turn black in the fourth quarter? The answer is that it is not guaranteed to fix margins but it seems increasingly clear that failing to do it will ensure that margins remain very red for the remainder of the year.

OTHER RESOURCES

USDA Market News: www.ams.usda.gov

Northwest Commodity

Corner: <http://www.ams.usda.gov/mnreports/lswnwcomm.pdf>

National Feed & Seed

Weekly: <http://www.ams.usda.gov/mnreports/lswfeedseed.pdf>

Video auction home pages

Superior Livestock Auction

<http://www.superiorlivestock.com/>

Western Video Market

<http://www.wvmcattle.com/>

Northern Livestock Video Auction

<http://www.northernlivestockvideo.com/>

USDA market news reports for individual PNW auctions

Stockland Livestock Auction (Davenport, WA)

http://www.ams.usda.gov/mnreports/ML_LS756.txt

Toppenish Livestock Auction (Toppenish, WA)

http://www.ams.usda.gov/mnreports/ML_LS754.txt

Selected PNW livestock auction home pages

Central Oregon Livestock Auction (Madras, OR)

<http://www.centraloregonlivestockauction.com/marketreports.htm>

Producers Livestock Marketing Association

(Vale, OR & Jerome, ID)

<http://www.producerslivestock.com/>

Stockland Livestock Exchange (Davenport, WA)

<http://www.stocklandlivestock.com/>

Lewiston Livestock Market (Lewiston, ID)

<http://www.lewistonlivestockmarket.com>

Hot topics

WSU Avian flu

<http://anr.wsu.edu/AvianFlu.htm>

WSU - West Nile Virus

<http://wnv.wsu.edu/>

Northwest Pilot Project (AID)

<http://www.northwestpilot.org/>

USDA National Animal Identification System

<http://animalid.aphis.usda.gov/nais/index.shtml>

NCBA BSE page

<http://www.bseinfo.org/>

USDA Country-of-origin labeling

<http://www.ams.usda.gov/cool/>

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