Beef Margin Watch: December

Both cattle prices and feed markets remained flat over the second half of December, with quiet, year-end holiday trade limiting activity. USDA's December Cattle on Feed report may have been construed as slightly bearish relative to market expectations. Cattle inventories in feedlots as of December 1 were 12.031 million head, up 2.5% from last year versus expectations for a 1.9% increase on average. The on-feed inventory last month by comparison was 1.1% higher than November 2018. November placements of 2.093 million head were up 4.9% from last year versus expectations for a 1% increase on average. The larger placements of cattle during November were led a 13% increase of lighter cattle weighing less than 600 pounds, comprising 70% of the total increase in placements during the month. On the other hand, inventories of cattle on feed between 90-120 days have been tightening, which could be supportive to the market in late winter to early spring. This component of feedlot inventories has been running below a year ago since September 1, and with the December figure down 10% from last year. USDA also reported the total supply of beef in Cold Storage at the end of November at 480.4 million pounds, down 6.7% from last year and 1.7% below the five-year average. Boneless beef inventories grew at a faster than normal pace during November, with speculation that end users may be trying to hedge against price increases during 2020. China has emerged as a major global beef importer as they look to source increased protein from all origins following the ASF outbreak that has devasted their domestic swine herd. This has significantly disrupted global beef trade flows and should continue to provide a bullish tailwind to the market. Our clients have continued to add delta on cattle hedges following recent price strength.

December Cattle On Feed Summary

Cattle on Feed Report	2016	2017	2018	2019	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Nov (1,000 head)	2171	2393	1996	2093	104.86%	100.9%	98.7%	107.1%	84.5%	4.0
Fed Cattle Marketed in Nov (1,000 head)	1705	1801	1869	1813	97.00%	97.3%	96.6%	98.6%	96.7%	-0.3
Other Disappearance in Nov (1,000 head)	57	73	80	65	81.25%	0.0%	0.0%	0.0%	110.2%	81.3
On Feed Dec 1 (1,000 head)	10665	11332	11739	12031	102.49%	101.9%	101.3%	102.8%	101.7%	0.6

Placed on Feed by State	Actual (1,000 head)	Previous Month (1,000 head)	Previous Year (1,000 head)	% of Previous Month	% of Previous Year
Arizona	27	25	30	108%	90%
California	64	75	72	85%	89%
Colorado	185	240	140	77%	132%
Idaho	56	63	59	89%	95%
Iowa	110	114	106	96%	104%
Kansas	415	460	400	90%	104%
Minnesota	25	39	25	64%	100%
Nebraska	520	670	520	78%	100%
Oklahoma	58	61	52	95%	112%
South Dakota	75	82	47	91%	160%
Texas	465	530	450	88%	103%
Washington	42	51	40	82%	105%
Other States	51	67	55	76%	93%
United States	2093	2477	1996	84%	105%

Placement Breakdown by Weight	Actual	Previous Month	Previous Year	% Previous Month	% Previous Year
600 lbs	620	600	550	103%	113%
600-699 lbs	500	540	495	93%	101%
700-799 lbs	423	517	416	82%	102%
All Weight Class	2093	2477	1996	84%	105%

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