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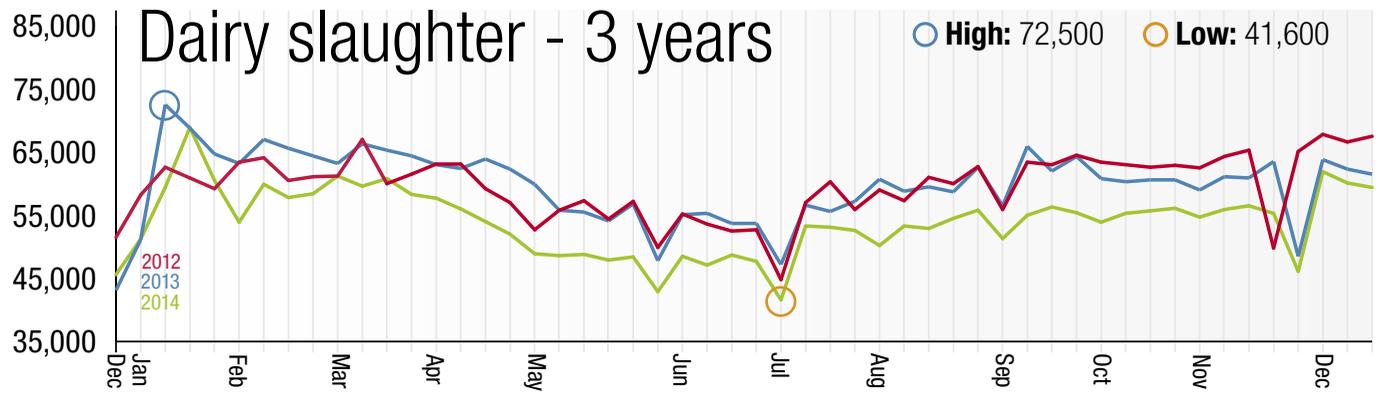
Dairy slaughter for the week ending Dec. 13 was 60,100 head, down 1,800 head from the prior week and down 2,200 head from the same week last year. As of this writing, with two weeks remaining to be reported in 2014, 298,900 fewer head have been slaughtered than through the same time period in 2013. In the Dec. 19 Milk Production report, the USDA put the U.S. dairy herd for November at 9.28 million head, up 4,000 head from a revised October number. Year-to-date, the U.S. herd has grown 78,000 head.

The U.S. average price for dairy cows in November was \$114 per hundredweight (cwt), down \$2 per cwt from an October price of \$116 per cwt and down for the third consecutive month. This decline in price is following the normal seasonal pattern, which usually sees cull prices put in a low in October or November.

On Dec. 22, the USDA Cold Storage report showed November total beef stocks up 4.9 percent from October and down 12 percent from the year prior. On Dec. 19, the USDA Cattle on Feed report put Dec. 1 inventory up 1.42 percent from Dec. 1, 2013. At 10.876 million head, inventory is up for the third consecutive month and at the highest level of the year. November feedlot placements totaled 1.792 million head. This is down 24 percent from October, down 4 percent from November 2013 and the second-lowest total for the month of November since tracking began in 1996. Cattle marketed in November totaled 1.475 million head, down 11.1 percent from November 2013 and the lowest total for the month since tracking began in 1996.

Year-to-date, placements are 280,000 head fewer than through November of 2013, yet feedlot inventories are at a high for 2014 and greater than feedlot inventories in December last year. This, combined with record-low November marketed cattle, indicates this market is finally running out of steam. However, an increase in inventory as the holidays come to a close isn't unusual. Supplies of red meat in cold storage also remain tight. On Nov. 24, February live cattle futures posted a high of \$172.60 per cwt only to fall to \$155.15 per cwt by Dec. 18. As 2014 comes to a close, February futures have recovered, currently trading around \$167 per cwt.

While the sell-off in live cattle futures into mid-December thus far appears to be just a bull market correction, turning points in the markets can happen quickly. Be sure to protect these elevated prices in the months ahead. **PD**



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