

MARKET WATCH

CULLING

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Dairy slaughter for the week ending Dec. 5 was 58,700 head, which is a 14,400-head increase from the previous week's total and a 3,200-head decrease from the same week last year. Year-to-date, dairy slaughter is 2.696 million head, which is 103,400 head greater than the same time period last year. In the Dec. 18 Milk Production report, the USDA reported U.S. dairy herd size for November 2015 at 9.313 million head – unchanged from October. Year-to-date, the U.S. dairy herd has grown by 9,000 head.

The U.S. average price for dairy cows in October was \$89.50 per hundredweight (cwt), down \$14.50 per cwt from September and down \$26.50 per cwt from October 2014. The seasonal pattern calls for prices to drift lower for the next couple months before bottoming and trending higher into the end of the year.



On the Dec. 22 USDA Cold Storage report, November total beef stocks increased roughly 1 percent from October and were up 27 percent from the year prior. On Dec. 18, the USDA Cattle on Feed report put Dec. 1 inventory at 10.794 million head. This is unchanged from November and is a 0.2 percent decrease from December 2014. The report also put November feedlot placements at 1.601 million head. This is down 10 percent from October and down 11 percent from November 2014. Finally, cattle marketed in November totaled 1.532 million head, which is

up 3 percent from October and up 4 percent from November 2014.

Heavy selling pressure continued to lower the price of both live cattle and feeder cattle futures for months until the market put in a short-term bottom near mid-December. However, on Dec. 18, most contracts reversed and locked limit higher on end-of-week short covering after contracts fell to their lowest levels in years. The move higher was fueled by the December Cattle on Feed report, which was seen as somewhat friendly to prices. The report showed a record low number of cattle placed into

feedyards for November. The results of the report pushed the market up near the limit on expanded-limit trade the following day. In total, live cattle prices climbed to their highest levels since early December and have continued to trend higher ever since.

If the next Cattle on Feed report shows another record-low number of cattle placed into feedyards or any other bullish news, it could give prices a boost for weeks to come. However, producers should not bank on a rally happening and should have a plan in place to protect their cull prices. **PD**