Tipsheet

December 2, 2016

THE MIDWEST

"It's nice to see red ink change to green ink on paper," one source stated. We're starting to see some light in the tunnel, as folks are beginning to see dollars coming in. However, a lot of producers are still losing money on the cattle that were brought in on the lighter side and required much more feed to finish out. Supplies are tight in the countryside, and should remain that way for the next 90 to 120 days. We're seeing packers bidding higher due to the lack of readily available fats – now would be a great time to get rid of anything you don't want to feed through the winter. Now that cash is leading most of the negotiations, we're seeing producers breathe a sigh of relief as the cash to futures relationship continues to grow stronger. Some sources believe the market will continue to be steady to higher, while others predict that the market will top off with the holidays and then pick back up again in late January. Cash trade seasonally tops out right about this time; which heightens fears of the market taking a step back. On a positive note, the break in weather has allowed for cattle to progress along faster than expected.

NUMBERS: We are $2-3 higher this week. The Fed Cattle Exchange started this week's trade at $113 to $114.25. Following that, live trade started in the plains at $113, $114, and $115. The last time live cattle traded at $112-$115, choice boxed beef was nearly $10 higher. Packer profits soared in those conditions. Some analysts are saying the market needs to dip back down to $106 – we don't buy it. Bred heifers saw numbers averaging $1,750. Young cows sold between $1,600 and $1,700. Short term cows were a little higher this week at $900-1,000. Futures are holding off; however, we are about $17 above our lowest October values.

PACKER WATCH: One source heard that packers are not taking delivery for another two to three weeks. If this happens, prices will drop because less cattle will be moving. Packer margins are evening out, but still have a long way to go. We should continue to see a small rally in the market, but prices won't get to be too much in our favor because the packers won't let their margins go so easily.

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THE WEST

We saw a good showing of buyers and sellers in the marketplace this week, with higher demand than past weeks. A large majority of the supply consisted of feeder cattle. The market increase is directly related to supply and demand; as compared to this last summer and fall, less fat cattle are readily available. Some speculate that the market is a fluke; this is completely untrue. Beef demand is excellent right now. Prices should remain steady to higher over the next few months.

NUMBERS: Fats were hovering around $111-112 this week. Compared to two weeks ago, steers and heifer calves traded $7-$10 higher, with some instances of $13 higher. Yearling heifers were $5 higher, while yearling steers were $5-7 higher.

TRENDS: One source cautioned, “we are not out of the woods yet, cattle numbers are still climbing and so most likely prices will be back down in due time." Another stated, “For cow-calf guys, don’t expect any better prices in 2017. Play your cards safe. However, if you’re looking to increase your numbers, now is a good time to start.”

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