

Daily Livestock Report

Vol. 10, No. 244 December 19, 2012

Analysts expect USDA's December Cattle on Feed report, due out on Friday afternoon, to continue to pattern of the past few months, indicating lower cattle numbers in the surveyed feedlots. The results of DowJones pre-report survey of analysts appear at right. As has been the case with the last several reports, most attention is likely to focus on the placement number given the U.S. pasture and range conditions and progressively smaller calf crops. Relative to recent months, analysts expect this month's number to be closer to the 2012 level. Should the analysts' average prediction of 93.4% of year-ago level be true, it would imply the smallest year-on-year reduction in both actual numbers and percentage since June. For some time, we noted that this year's numbers were being compared to unusually large numbers last year but it is important to note that last year's placements in both October and November were VERY close to the 5-year average, meaning they, though large, were not unusually so. Further, the range of the analysts' estimates is not large — at least for this number, which sometimes sees widely divergent predictions — suggesting some degree of consensus for November placements. The estimate range implies placements of 1.7 to 1.8 million head.

Should the average estimate for year-on-year change in feedlot inventories (93.4%) be true, the December 1 number will be 11.259 million head, the smallest December number since 2002. And, where placements got closer to year-ago levels October and are expected to do so again in November, the feedlot inventory is getting farther and farther from the levels of both last year and the 2006-2010 average. The reason, of course, is that the inventory of cattle in these lots is the cumulative result of these smaller placements. It is important also to note that the first of those smaller placements versus one year earlier occurred in July and those cattle will not, for the most part, be in the slaughter mix until January or later. Bottom line: We still haven't seen the impacts of these lower feedlot numbers in steer and heifer slaughter.

Look for a recap of the Cattle On Feed report in Monday's DLR.

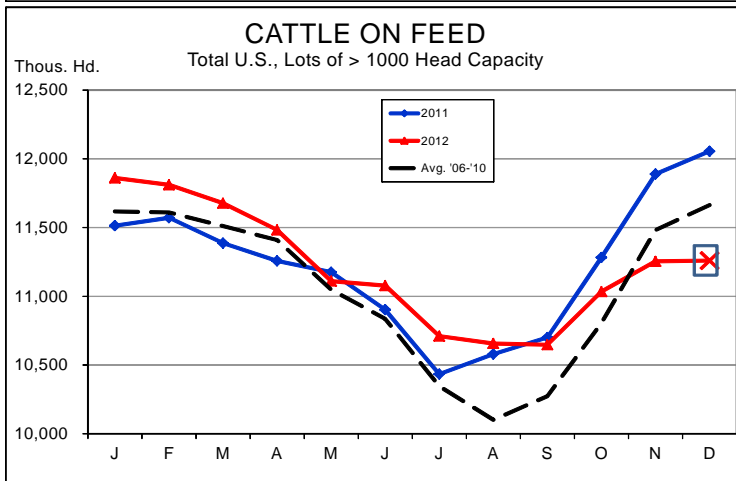
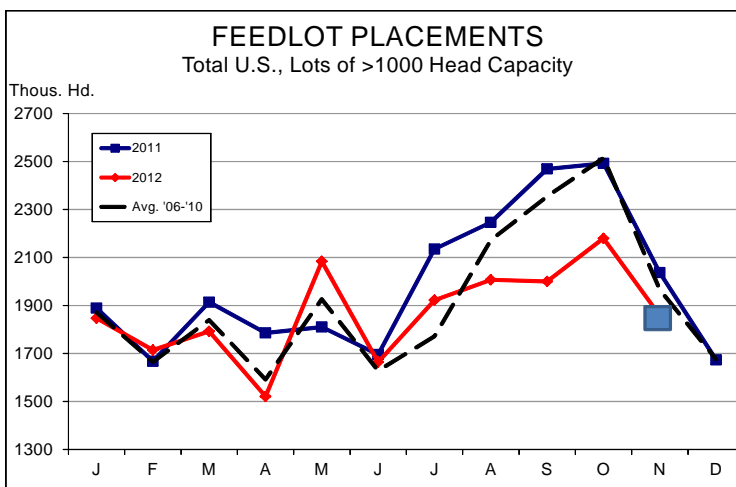
Where is the U.S. swine breeding herd headed? That is a question on many minds as we approach the next quarterly Hogs and Pigs report on December 28. The 2012 drought and sharply higher feed costs had many expecting a significant liquidation last summer but the data certainly do not suggest a large shift and may not suggest much of a change at all relative to September 1 or next year. Chicago-based analyst Kevin Bost, in his excellent weekly Meat Markets Under a Microscope letter ([Click here](#) to see samples) pointed out that sow slaughter as a percentage of the breeding herd was quite high in September, moderated in October, basically matching the five-year average for the month, but then fell to its lowest November level since 2008. "Wonder of wonders, this pattern coincided with the hog market's price performance," wrote Bost. And we heartily agree. As cash hogs and Lean Hogs futures recovered from the "get them off feed" supply flood of August and September, producers' outlook for the future improved — as well it should have with a number of 2013 months turning profitable and forecast losses getting as low as \$1.54/head. That figure has gotten less favorable in recent weeks but this is usually the worst of cash hog prices and as cash improves so will futures. Bost goes on to say he expects the breeding herd to be down 0.3 to 0.4% in the December report. We think that is a pretty reasonable number at this point. USDA called Dec-Feb farrowings at

Pre-Report Estimates -- USDA Cattle On Feed

Friday, December 21, 2012

	Range of Estimates	Average of Estimates
	(Percent of year ago)	
On Feed, December 1	92.8 - 93.8	93.4
Placed in November	88.5 - 93.4	91.2
Marketed in November	98.2 - 101.5	100.2

Source: DowJones



98.5% of last year, a figure that Bost thinks looks reasonable. But will a Dec 1 herd only slightly smaller than last year result in farrowing reductions that large from March forward? That seems a stretch and, should litters continue to grow 1-2%/year, there may be plenty of pigs next fall

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