



Weekly Market Summary

For the week ending December 28, 2018

For the week... Cattle futures closed \$1 to \$3 higher than last week with boxed beef selling slightly higher. In limited trade, slaughter cattle sold at \$121, about \$2 higher than the last established market. The CME Feeder Cattle Index gained \$1.37. Insufficient trade and market data available to establish market prices and trends for other classes of cattle.

10 Day Market Trendline



Change from Previous Day: **+0.11%**
Change from 10 Days Ago: **+1.86%**
Change from 60 Days Ago: **-0.11%**

60 Day Market Trendline



Trendlines track the daily market values for the past 10 & 60 days. Each value is the weighted total of the Gain/(Loss) for 12 major market factors compared to the previous trading day.

Expectations for next year should take into consideration a **possible scenario*** for the cattle industry in 2019.

The expansion is winding down but the result of the larger cowherd is that the U.S. will produce more beef in 2019 than in 2018. U.S. production of pork and poultry is projected to reach record highs in 2019 and will continue into the 2020's. With record production of beef, pork, and poultry occurring at the same time, it will be essential to export the surplus meat and poultry to maintain current prices or achieve higher prices.

For 2018, beef exports will show an increase of 11%, the 3rd consecutive year showing double-digit increases. This trend may be in jeopardy in 2019 as some world economies are showing signs of slowing growth and the threat of recession is a real possibility for those economies. In the four weeks ending December 13, U.S. beef exports were 8% higher than the same period a year ago. However, export sales during this period declined 53.5% compared to the same period last year, a possible harbinger of diminished export demand in 2019.

An amazing fact... *Cattle numbers in 2019 will be the same as in 1954 but the amount of beef produced in 2019 will be over 2 times larger than in 1954.*

This record production, combined with weaker export demand, will allow the packers to maintain a leveraged position in which they can retain a higher percentage of retail beef dollars and minimize the prices they have to pay for slaughter cattle. Feedyards experienced losses for most of 2018, and with the 2019 calf crop projected to be 225,000 head larger than 2018, the feeding sector will be highly incentivized and in a better position to attain profitability by paying less for replacement cattle.

In this scenario, cow/calf and stocker operations will experience lower profits and some less efficient operations will likely lose money. Should this occur, demand and prices for breeding classes of cattle will also be under pressure in 2019.

Need to watch:

- Domestic & Foreign Economies
- Trade Negotiations & Trade Wars
- Stock Markets & Interest Rates
- Spread of African Swine Fever

**This scenario is based on likely market conditions in 2019... Unforeseen events or conditions could occur that would significantly change the dynamics for specific or all economies and industries.*

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