

## In The Cattle Markets

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### Impacts of the Cold Wet Winter

The returning to normal of U.S. federal government reports and data sources are revealing the impact of the cold and wet winter on the fed cattle production. As pointed out in last week's ITCM, cattle on feed inventories are very high: 11,678 thousand head in the seven major states. This is above last year's 11,630 thousand head and average of the prior five years for February 1 of 10,781 thousand head. The inventory of long-fed cattle – cattle calculated to have been on feed over 120 days – is also substantial. This inventory is 3,993 thousand head, is well above last year's 3,558 thousand head, and the average of the prior five years for February 1 of 3,500 thousand head. There are a lot of cattle to be marketed through the end of March and into April and May. Slaughter volumes reported in the weekly Livestock Slaughter report do not communicate that this is happening. Total cattle slaughter is up modestly. Within total cattle, cow slaughter is higher some weeks by 10 thousand head, fed heifer slaughter is up some weeks 10-20 thousand head, and the largest portion – that being fed steer slaughter – is even with the prior year or softer. April marketings will be an important indicator of the potential strength of the cattle markets through the summer. Weak marketings will suggest a backlog of animals.

The Livestock Slaughter reports are also revealing the lower fed animal carcass weights. Fed steer weights for 2019 are all lower than the same week in 2018. Carcass weights are one to 13 pounds lighter each week of this year. Fed heifers, which are a larger portion of the slaughter mix this year, are almost always more than 10 pounds lighter than the week of the prior year. Clearly, the cold wet winter has slowed marketings, extended days on feed, decreased feed conversion, held down slaughter weights, and increased costs of gain. Information provided by Kansas State University and other sources indicates costs of gain are 5-7 cents per pounds higher than the same month this time last year with very similar feed input costs. There is a large volume of animals coming but at lighter weights.

Winter weather and general conditions appeared to slow the feeder cattle market down through the end of last year and early this year. In January and February, I worked cattle feeding budgets with fall fed cattle futures, spring feeder cattle futures – both basis-adjusted, and with reasonable projected spring and summer cost of gains. There were close to \$100 per head profits that could be hedged in this window for heavier calves. Needless to say, feeder cattle prices have improved since then.

### The Markets

What do the technical say? April through October live cattle futures show strong upward trends with resistance levels repeatedly broken and the trend holding when tested. The more

deferred contracts are sitting closer to resistance levels whereas nearby contracts have moved through and into higher prices. Live cattle contracts remain a strong bullish market. I continue to watch the trend lines closely. Hold long positions and wait for uptrends to be broken. These would be sell signals. The spring and fall groups of feeder cattle contracts have begun to show similar strength. There is not enough trading history in the fall contracts to be comfortable with technicals. But I anticipate them to more closely mirror the live cattle contracts. Opportunities to hedge feeder cattle should be based on technicals from live cattle contracts. Watch the live cattle trends and the feeder support and resistance levels. And the spring weather conditions.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 3/15/19</b>	<b>Week of 3/8/19</b>	<b>Week of 3/16/18</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$127.14	\$128.15	\$127.91
	all grades, dressed weight, \$/cwt	\$204.25	\$205.07	\$205.47
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$227.70	\$224.94	\$224.46
	Choice-Select Spread, \$/cwt	\$8.63	\$6.80	\$7.58
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$145.15	--	\$142.04
	Nebraska 7-market, \$/cwt	\$145.36	\$153.25	\$154.41
	Oklahoma 8-market, \$/cwt	\$140.87	\$141.75	\$146.83
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$177.28	--	\$186.56
	Nebraska 7-market, \$/cwt	\$170.96	\$183.65	\$191.35
	Oklahoma 8-market, \$/cwt	\$168.17	\$172.63	\$175.51
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.63	\$3.55	\$3.59
	DDGS, Nebraska, \$/ton	\$145.50	\$144.50	\$151.00