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## In The Cattle Markets

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### April Cattle on Feed

Now, that was a Cattle on Feed report. Close to record high inventories with strong placements. One week to think about it and then the futures market reacted hard. Cattle on feed inventories were 11.964 million head as of April 1, 2019. This is the highest on-feed number – since 1996 with this version of the report – for any month except December of 2011. That record level was 12.110 million head. All but the upper Midwestern states in the report had higher inventories than the prior year. Placements were 5% above the prior year and 8% above the prior month. Placements in Colorado, Kansas, and Oklahoma were 21%, 16%, and 13% above the prior year. All states detailed in the report except Nebraska, Iowa, and Arizona placed animals in excess of the prior year. Understandably, placements in Nebraska were 11% below the prior year. Fed cattle will be abundant through the summer and fall.

In the face of these supplies there are factors relieving the pressure. Slaughter weights remain below the prior year. The cold and wet spring has accelerated the seasonal decline in average carcass weights. Saturday slaughter continues to run strong and marketings in the report are 3% above the prior year and 5% above the prior month. Cold storage of beef is reasonable given available supplies. Finally, boxed beef values and the choice-select spread appear to be will into their normal spring rallies. Thus, the cash fed cattle trade has been strong.

But the inventory of market ready cattle, as proxied by the calculated cattle on feed over 120 days, are nothing short of enormous. Orderly and aggressive marketings through the remainder of April, May, and June are essential. The live cattle futures complex has strong discounts in the more deferred out until December. This seasonal structure certainly appears appropriate. Trade this week and next will reveal where cash fed cattle prices are headed.

### The Markets

What do the technical say? Sell. Strong sell signals were generated this week. The June through December live cattle futures have showed strong upward trends with resistance levels repeatedly broken and the trend holding when tested. That ended Wednesday. Up-trends were broken, and the break confirmed today. Most live cattle contracts, during March, followed the lean hog contracts in their aggressive rally based on potential meat exports. (I am reminded: Buy the rumor, sell the fact.) Live cattle contracts returned to the trend lines sharply, corrected higher, and then broke those long standing up-trends. These are strong sell signals. That's hard to do after a \$5-6/cwt down move but the technical are clear. The spring and fall groups of feeder cattle contracts have similar price patterns. There is not enough trading history in the fall contracts be comfortable with technicals. But the price weakness is clear. I anticipate feeder cattle to mirror the live cattle contract in longer term price directions. Normal spring and summer opportunities to hedge feeder cattle may be occurring

now. I am optimistic that live and feeder markets will offer some correction to the sharp moves down, possibly if we see strong seasonal cattle and beef movements. But the strong than expected cattle market story might be over.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 4/19/19</b>	<b>Week of 4/12/19</b>	<b>Week of 4/20/18</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$128.42	\$126.19	\$121.71
	all grades, dressed weight, \$/cwt	\$207.76	\$204.91	\$191.84
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$232.50	\$228.72	\$211.78
	Choice-Select Spread, \$/cwt	\$12.00	\$8.67	\$12.43
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$156.80	\$152.86	\$151.42
	Nebraska 7-market, \$/cwt	\$160.26	\$155.60	\$154.18
	Oklahoma 8-market, \$/cwt	\$152.07	\$149.18	\$143.87
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$186.21	\$189.27	\$179.20
	Nebraska 7-market, \$/cwt	\$192.07	\$187.15	\$190.13
	Oklahoma 8-market, \$/cwt	\$180.34	\$179.77	\$169.63
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.58	\$3.56	\$3.68
	DDGS, Nebraska, \$/ton	\$146.00	\$153.50	\$168.50