

In The Cattle Markets

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A Few Curiosities in the Cattle on Feed and Inventory Reports

While there were no great surprises in either the Cattle on Feed or the mid-year Inventory reports there were a few items of interest. First the headline numbers. Placements were down 2.3 percent from June, 2018. Marketings were also below the year before, down 3.1 percent. Given one less working day in the month, daily average marketings were up almost 2,000 head per day, and have been above a year ago every month this week. The combination of comings and goings left the number of cattle on feed up 1.7 percent. The 11.485 million head on feed is the most for a July 1 in the data which began in this form in the mid-1990s.

Placements were again skewed towards heavier feeders. The number placed weighing more than 700 pounds increased slightly over a year ago, about 23,000 head. Lighter weight feeders, under 700 pounds, were down 65,000 head, or 8.7 percent from a year ago. While we might attribute the weight distribution to higher feed prices and excellent range and pasture conditions, heavier weight placements have exceeded the year before every month this year, except January.

Particularly interesting was the breakout of steers and heifers on feed. For the third consecutive quarter the number of steers on feed was below the year before, down 120,000 head or 98.3 percent of a year ago. The number of heifers was up 7.7 percent from last year. Which brings us to the inventory report.

The report indicated no change in the beef cow herd compared to a year. That is about what was expected. Fewer replacements were held back, so the herd has about topped out for this cycle.

The report estimated a smaller calf crop than the year before. This combined with steer slaughter below a year ago, fewer steers on feed, elevated cow and heifer slaughter indicate that the data is supporting a lot of anecdotal stories over the last couple of years of reproductive problems. Reports of reproductive problems have often been attributed to extreme weather events, but also some uncertain factors. This combination of data might also suggest that the calf crop or maybe even the cow herd has been slightly overestimated the last couple of years.

All-in-all, these reports were largely as expected. Digging a little deeper presents some curious implications. But, marketings continue to move with no expectations of backed up cattle indicated. There are a lot of cattle on feed, but that is pretty normal at the peak of the cycle.

The Markets

Local auction markets have rebounded a little after falling sharply as feed costs increased. Many markets in Texas reported steady to higher prices last week. The Choice beef cutout inched a little higher as did the Select cutout. The Choice-Select spread widened further continuing its counter-seasonal strength.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/19/19	Week of 7/12/19	Week of 7/20/18
5-Area Fed Steer	all grades, live weight, \$/cwt	\$113.02	\$113.37	\$112.61
	all grades, dressed weight, \$/cwt	\$183.00	\$182.87	\$179.00
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$213.11	\$214.64	\$204.32
	Choice-Select Spread, \$/cwt	\$24.14	\$23.08	\$7.61
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$147.81	--
	Nebraska 7-market, \$/cwt	\$153.60	\$161.19	\$162.05
	Oklahoma 8-market, \$/cwt	\$142.84	\$143.36	\$152.17
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$178.60	\$190.99	\$168.50
	Oklahoma 8-market, \$/cwt	\$158.94	\$155.96	\$164.76
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.33	\$4.52	\$3.35
	DDGS, Nebraska, \$/ton	\$149.50	\$145.50	\$100.00