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In The Cattle Markets

David P. Anderson, Professor and Extension Economist
Texas A&M AgriLife Extension Service

More Cattle on Feed and More Beef in Cold Storage

USDA released the Cattle on Feed and the Cold Storage reports last week. Let's start with the Cattle on Feed. The headline number was that placements were up 7.8 percent compared to July of 2017. Most of that increase (83 percent) was in light weight feeders, those weighing less than 600 pounds and between 600 and 700 pounds. The increase in light weight feeders makes some sense given drought conditions across a broad swath of cattle country. That the increase was largely in light cattle probably makes some sense production wise, given that this is July placements. But, by placing these animals now, it does slightly reduce the supply of calves available later in the Fall. These placements will likely start to hit the market late in the year or very early in 2019.

The increase in placements was broad based, with every state except South Dakota and Washington showing increases. Forty percent of the total increase in placements occurred in Kansas and Nebraska. If Colorado is included, 59 percent of the growth in placements was accounted for in those three states. Arizona and California increased placements by 28 and 53 percent, respectively. Those two states have 22 percent more cattle on feed than a year ago, which is an interesting change in regional cattle on feed inventory.

Marketings were up 5 percent from a year ago. Given one more business day in the month, daily average marketings equaled last year. Cattle on feed, up 4.6 percent, is continuing to hold in the 4-5 percent above a year ago range. The increase in lighter placements should continue to hold the number of head on feed more than 120 days at relative large numbers. But, marketings and, by extension demand has continued to pull animals through the system avoiding a wreck.

USDA also released the Cold Storage report. This report caused a stir last month as relatively large amounts of meat were stored, but the growth was in chicken and lamb. This month's report indicated a large increase in beef in cold storage, up 36 million pounds from last month and 53 million pounds (12 percent) from a year ago. Almost all of the change from a year ago, 89 percent, was in boneless beef. In fact, boneless beef in storage was record large. Beef cuts in storage represented the rest of the change. It seems likely that the increase in boneless beef stored supplies is related to increases in cull cow slaughter and beef imports. The small growth in cuts would suggest that beef demand is keeping up with large beef supplies.

The Markets

Most local Texas auctions reported steady to higher calf prices during the week ending August 25th. Drought has taken a toll, with more cattle moving over the last number of weeks, as drought conditions have worsened in Central Texas. The Choice beef cutout finished the week averaging $213.86 compared to $209.70 per cwt the week before. While the cutout was a little higher for the week, fed cattle prices declined about $1 to 1.50 per cwt from the week before to $109 per cwt.

Data Source: USDA-AMS Market News		**Week of 8/24/18**	**Week of 8/17/18**	**Week of 8/25/17**
5-Area Fed Steer	all grades, live weight, $/cwt	$109.02	$109.91	$106.78
	all grades, dressed weight, $/cwt	$172.78	$173.10	$169.70
Boxed Beef	Choice Price, 600-900 lb., $/cwt	$213.86	$209.70	$192.30
	Choice-Select Spread, $/cwt	$10.23	$8.92	$2.52
700-800 lb. Feeder Steer	Montana 3-market, $/cwt	$153.93	$155.75	$148.26
	Nebraska 7-market, $/cwt	$166.81	$161.33	$155.01
	Oklahoma 8-market, $/cwt	$152.77	$150.65	$143.46
500-600 lb. Feeder Steer	Montana 3-market, $/cwt	--	--	$155.00
	Nebraska 7-market, $/cwt	$180.00	$165.24	$166.86
	Oklahoma 8-market, $/cwt	$160.99	$163.92	$155.04
Feed Grains	Corn, Omaha, NE, $/bu (Thursday)	$3.23	$3.37	$3.17
	DDGS, Nebraska, $/ton	$121.50	$122.50	$107.80