

In The Cattle Markets

Brian R. Williams, Assistant Extension Professor
Department of Agricultural Economics, Mississippi State University

January Cattle on Feed Report Shows Placements Sharply Higher

The United States Department of Agriculture's National Agricultural Statistics Service (USDA, NASS) released their monthly [Cattle on Feed](#) report Friday afternoon (January 27, 2017). Placements totaled 1.795 million head, an increase of 17.6% from December 2016. Market analyst expected placements to be up 8.8%, so the reported value came in well above expectations. All weight classes saw an increase in placements, with cattle larger than 800 pounds seeing a 4.5% year-over-year increase while cattle between 600-699 pounds saw a 26.7% year-over-year increase in placements.

Cattle marketed in August totaled 1.787 million head, up 6.8% versus last year. Pre-report expectations called for marketings to be 6.7% higher than the same period last year, so they came in right where analysts anticipated they would be.

The total number of cattle in feedlots with 1,000 head or larger capacity on January 1, 2017 totaled 10.605 million head, up 0.3% versus January 1, 2016. Market analysts expected a 0.9% year-over-year decline in cattle inventories, so the reported value came in well above analysts' expectations.

The surprisingly high placement numbers have hit the cattle futures complex on Monday morning, with most feeder futures contracts trading around \$3.00 lower and live cattle futures contracts trading just over \$2.00 lower. The spike in placements for the month of December, when combined with high placement numbers for November is likely going to bring a surge in beef supplies over the course of the summer. Upon digging into the numbers a little more closely, another number seems to stick out as well: the number of heifers on feed is up 5% from a year ago, while the number of steers on feed is down 2% from a year ago. This seems to offer additional confirmation that we may be seeing the end of the beef herd expansion as more heifers are heading to the feedlot rather than being kept on-farm as replacements.

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The five-area fed steer price ended the week averaging \$121.22 for live sales, and \$193.46 for dressed; respectively, down \$0.67 and \$1.34. Nebraska feeder cattle were lower on the week with 500-600 pound steers down \$0.97 averaging \$157.50 and 700-800 pound steers down \$3.14 averaging \$137.15. Corn was down \$0.04 on the week trading at \$3.41/bu in Omaha on Thursday.

<i>Data Source: USDA-AMS Market News</i>		Week of 1/27/17	Week of 1/20/17	Week of 1/29/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$121.22	\$121.89	\$136.36
	all grades, dressed weight, \$/cwt	\$193.46	\$194.80	\$210.26
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$192.09	\$191.65	\$221.40
	Choice-Select Spread, \$/cwt	\$3.52	\$4.27	\$4.81
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$132.04	\$133.02	\$158.41
	Nebraska 7-market, \$/cwt	\$137.15	\$140.29	\$164.64
	Oklahoma 8-market, \$/cwt	\$132.85	\$133.64	\$158.61
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$157.50	\$156.53	\$195.18
	Nebraska 7-market, \$/cwt	\$163.70	\$164.03	\$202.49
	Oklahoma 8-market, \$/cwt	\$157.20	\$151.63	\$191.00
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.41	\$3.45	\$3.57
	DDGS, Nebraska, \$/ton	\$107.25	\$107.50	\$135.00