

In The Cattle Markets

Brenda Boetel, Professor and Extension Economist

Department of Agricultural Economics, University of Wisconsin-River Falls

Upcoming Cattle on Feed Report

This coming Friday, the February Cattle on Feed Report will be released. As most of you know, this is a monthly publication that reports data on the number of cattle in U.S. feedlots, the number of cattle being placed in feedlots and the number being marketed for slaughter. Friday's report is anticipated not only for the monthly stock and flow information that enables market analysts to estimate current and future slaughter cattle supplies, but also because the January report was unpublished due to the government shutdown. Additionally, the February report typically contains information on inventory and marketings based on feedlot capacity. This additional data is obtained from the January Cattle report, which provides information on cattle on feed in all known feedlots, regardless of size. Since the January Cattle report is delayed until February 28, the inventory and marketing data based on feedlot capacity will likely be delayed until the March report.

The cattle on feed report provides information from NASS surveys of feedlots with 1,000 head or greater in 17 major feeding states. These 17 states comprise approximately 97% of all cattle on feed in feedlots with capacity of 1000 plus. The February report will provide information on the full impact of the harsh weather impacts. Although the number of cattle on feed more than 90 days or more than 120 days is not reported directly, one can calculate by it by subtracting the net placement numbers for the previous three or four months from the number of cattle on feed reported in the current month. This provides an indication of the currentness of cattle marketings. Given that front-end cattle supplies are on the decline and are at the tightest levels for over a year, and that carcass weights are down due to harsh weather, we can expect the number of cattle on feed greater than 90 days to have increased.

Another way to measure the currentness of the market is to examine marketings as a percent of on-feed inventory. This number provides information on the proportion of cattle that left feedlots relative to total inventory. The higher the percentage, the more current the market. Conversely, if marketings as a percent of the on-feed inventory decline, it is an indication that cattle are being fed for longer periods of time. Typically, the lengthier time frame would mean heavier carcass weights, and lower prices, but given the harsh weather we have seen lower weights and higher prices.

The Markets

Tuesday morning saw the corn and soybean markets slightly lower. The market is currently trading information on the U.S./China talks as well as South American weather information. Corn will likely continue in a sideways trade for a while.

The Australian drought ended with a massive flood that has greatly impacted cattle producers. Estimates are that between 300,000 and 500,000 head of cattle have perished due to weather impacts. Although the number is significant and large, remember it is approximately 1.6% of the Australian herd.

Fat cattle will likely be steady to slightly stronger this week. Seasonally, there is tighter meat production and weather will continue to provide additional support. Packers are less optimistic due to softening margins and seasonally weakening demand, nonetheless they continue to be cautious buyers.

Live cattle futures prices were higher last week before slipping due to technically-driven selling. Technical analysis for the April cattle futures weakened when the market fell below the support price. The support price for April has now dropped to \$125.50.

<i>Data Source: USDA-AMS Market News</i>		Week of 2/15/19	Week of 2/8/19	Week of 2/16/18
5-Area Fed Steer	all grades, live weight, \$/cwt	\$124.96	\$124.98	\$129.75
	all grades, dressed weight, \$/cwt	\$199.92	\$199.88	\$205.03
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$216.68	\$216.86	\$208.47
	Choice-Select Spread, \$/cwt	\$4.63	\$4.54	\$4.29
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$146.13	\$139.65	\$155.42
	Nebraska 7-market, \$/cwt	\$151.51	\$150.72	\$160.57
	Oklahoma 8-market, \$/cwt	\$140.56	\$140.83	\$150.97
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$181.14	\$177.71	\$186.35
	Nebraska 7-market, \$/cwt	\$185.72	\$184.33	\$198.32
	Oklahoma 8-market, \$/cwt	\$172.82	\$170.06	\$178.03
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.68	\$3.64	\$3.48
	DDGS, Nebraska, \$/ton	\$142.20	\$142.50	\$146.90