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## **In The Cattle Markets**

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### **Continued Strong Everything through a Normally Temped Season**

The USDA Cattle on Feed report was released Friday and the news was neutral to longer term bearish. Marketings matched pre-report expectations, on-feed inventories were slightly heavy but again close to expectations, while placements were above the highest estimate for the range of expectations. Marketings for January were 106.1 percent of the prior year, on-feed inventories were 107.9 percent of the prior year, and placements 104.4 percent of the prior year. Pre-report expectations anticipated placements at a 100% of the prior year with a range of 96.0%-102.9%. Clearly, the dry weather in the southern plains is pushing cattle into feedlots earlier. This likely suggests larger beef supplies earlier in the summer and also suggests potentially lighter placements through the spring months that feeder cattle normally come off of wheat pasture. This dynamic is clearly playing out.

The live cattle futures contract prices are off sharply Monday but the strength of all the cattle markets through this late winter needs to be kept in mind. Calf prices have remained close to \$200/cwt, feeder cattle are about \$150/cwt, fed cattle remain above \$125/cwt, and boxed beef values are above \$200/cwt. These are rather strong prices given the volume of beef, pork and poultry in the domestic market. The strong domestic demand and strong export volumes that were well-reported through last year appear to be continuing. The other aspect that appears to be maintained in the retailer's willingness to feature beef, keep beef posted prices somewhat reduced, and live with a smaller margin. All of these factors have kept the quantities moving and the prices strong. Downside risk seems rather high. But then again April, and the typical seasonal rallies in beef and cattle prices, remains ahead of us.

What do the technicals say? The live cattle contracts have two clear resistance planes in established in November of last year. June Live Cattle has resistance at \$119.70 and \$121.50. And August Live Cattle have resistance at \$116 and \$118. As of last week, the live market looks to be running into significant selling pressure. The feeder cattle market has the same set up. May and August contracts are off sharply after the pressuring the first and lower of two resistance planes established back last November. Live and feeder cattle markets pulling back from resistance planes are sell signals. It will be important to watch some other fundamental indicators to see if the technical signal persists. Specially, it will be important to watch if fed cattle markets are aggressive through March into April. Does the showlist remain somewhat tight or become more abundant? And do boxed beef values remain strong showing continued good product movement through the retail channel? We are set up for an interesting spring in the cattle markets.

## The Markets

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 2/23/18</b>	<b>Week of 2/16/18</b>	<b>Week of 2/24/17</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$127.95	\$129.75	\$124.40
	all grades, dressed weight, \$/cwt	\$204.69	\$205.03	\$195.90
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$216.53	\$208.47	\$194.48
	Choice-Select Spread, \$/cwt	\$5.60	\$4.29	\$2.61
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$156.07	\$155.42	\$126.17
	Nebraska 7-market, \$/cwt	\$159.36	\$160.57	\$134.26
	Oklahoma 8-market, \$/cwt	\$150.50	\$150.97	\$130.84
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$197.67	\$186.35	\$153.14
	Nebraska 7-market, \$/cwt	\$199.00	\$198.32	\$160.69
	Oklahoma 8-market, \$/cwt	\$177.79	\$178.03	\$158.44
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.48	\$3.48	\$3.32
	DDGS, Nebraska, \$/ton	\$143.00	\$146.88	\$100.00