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In The Cattle Markets

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Too Many Interesting Things to Cover!

Sometimes, there are just too many interesting things to talk about in a short page. This is one of those times in the cattle market. So, here's a couple off my list.

Friday May 26th brings USDA's next Cattle on Feed report. The report is expected to indicate marketings were up close to 2 percent over a year ago, even with one fewer "work" day in the month. Marketings that large continue to highlight the tremendous demand for fed cattle this year. Placements will again be the most interesting number in the report. Fewer feeder cattle were imported from Mexico and Canada during April. But, feedlot profits likely pulled more cattle from winter pastures. Placements are likely to be much larger than a year ago. Placements of that level will represent a historically large percent of marketings, particularly given that April is typically a smaller placement month. COF could be up about one percent compared to a year ago, but would indicate restrained growth, but still growth, in feedlot inventories.

This year's sharp decline in cattle dressed weights is an interesting phenomenon given the long term trend of increasing cattle weights. Steer weights are a full 30 pounds below weights of a year ago after a 15 pound decline from the last full week of April to the first week of May. That large weekly decline highlights the effect that severe winter and spring snow storms can have on fed cattle weights. Pulling cattle ahead early from feedlots to packing plants has reduced weights. Then throw in the storm affects and steer and heifer dressed weights have fallen enough to offset increased cattle slaughter's impact on beef production. The result is much tighter total beef supplies than implied by the number of cattle. A good question is what happens after Memorial Day buying with increasing numbers of cattle on feed. We'll likely see weights increase much as they do seasonally.

Another interesting effect of lighter cattle weights is the impact on wholesale beef prices, particularly 50 percent lean beef. Lighter weights and pulling cattle ahead early has likely resulted in sky rocketing 50 lean prices. Wholesale boneless, fresh, 50 percent lean beef has jumped almost 80 percent in the last couple weeks, from about \$1.00 per pound to over \$1.80 per pound. That is also about 80 percent over a year ago.

The Markets

Cattle prices are starting to slide from the highs of a couple weeks ago. The Choice-Select spread advanced to daily record territory as it hit about \$26. Lighter weights are likely contributing to reduced supplies of Choice and more Select beef, widening the spread. Feeder and stocker cattle are seeing the effect of declining fed cattle prices.

<i>Data Source: USDA-AMS Market News</i>		Week of 5/19/17	Week of 5/12/17	Week of 5/20/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$134.26	\$137.28	\$130.75
	all grades, dressed weight, \$/cwt	\$212.62	\$220.33	\$204.07
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$248.36	\$244.55	\$225.72
	Choice-Select Spread, \$/cwt	\$25.38	\$20.00	\$15.34
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$150.25	\$157.45	\$151.21
	Nebraska 7-market, \$/cwt	\$161.84	\$155.85	\$161.67
	Oklahoma 8-market, \$/cwt	\$145.32	\$147.34	\$150.78
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$178.97	\$181.28	\$185.50
	Nebraska 7-market, \$/cwt	\$187.39	\$184.08	\$188.87
	Oklahoma 8-market, \$/cwt	\$162.71	\$171.31	\$170.89
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.40	\$3.43	\$3.68
	DDGS, Nebraska, \$/ton	\$104.00	\$104.00	\$130.00