

In The Cattle Markets
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Cattle on Feed Report

Cattle on feed inventories for feedlots with capacity of 1,000 or more head totaled 12.037 million head on January 1, 2022, up only 0.58% over 2021, but almost 3% above the previous 3-year average. This is the sixth highest inventory since the series began in 1992 and is down 0.57% from the second highest inventory level, which was achieved in February 2021. February 2006 had the highest inventory levels.

Heifers on feed accounted for 38.84% of total on-feed inventory; the 2019-2021 average percentage for heifers on-feed was 38%. In January 2014, at the most recent cattle cycle inventory low, the percentage of heifers on-feed inventory was 35.5%. This percentage will decrease during the initial phases of herd rebuilding as heifers will be held back as replacements, and the percentage will increase during herd contraction. Currently levels indicate that 2022 will see continued herd contraction and the USDA *Cattle* report on January 31, 2022 will likely the inventory of cows that have calved and beef heifers held as replacements decrease from 36.97 million head to approximately 36.75 million head.

Placements in feedlots during December totaled 1.963 million head, up 6.4% from December 2020. Only two states of the twelve recorded states reported placements that were down as compared to December 2020. Those two states were Arizona, with a year-over-year decline of 6.2%, and Iowa, down 6.4%. Because placements of cattle on feed affect future supplies, cattle prices for future months are impacted more by changes in placements than prices for current delivery.

Placements were up for all weight categories, with the exception of cattle weighing 900-999 pounds. The weight of the cattle placed changes the length of time on feed. Knowing if the decline in aggregate placements was at lower or higher weights helps estimate when the decline in placements will transform into a decline in marketings.

Marketings of fed cattle during December totaled 1.857 million head, essentially stable with December 2021. The number of cattle on feed over 120 days was 3.923 million head, up 187,000 head (5%) from December 1, 2021 but down 120,000 head (-3%) from January 1, 2021. The number of cattle on feed for longer times is related to marketing as a percent of the on-feed inventory and gives an indication of how current the market is. The more current the market, the less time cattle are being kept on feed and hence the timelier marketing occurs. If the market is extremely current, there is less downward pressure on future prices as current inventory will not subsidize future inventories.

Overall, the January 2022 Cattle on Feed report was slightly bearish as cattle on feed and placements were reported at levels slightly higher than expected. The market continues to decrease on-feed inventories, which will provide support for 1st quarter fat cattle prices. The increase in placements at lower weights indicates that the deferred live cattle prices will likely bear the majority of the bearish news.

The Markets

Long-term weather forecast for Argentina and southern Brazil remains bearish, with expectations of a return to hot and dry conditions. Major analysts and crop scouts continue to decrease production projections for corn and soybeans.

Last week's delayed EIA weekly petroleum report showed ethanol production rising 4.6% week-over-week to 1.053 million barrels per day (bpd). Ethanol stocks, as would be expected, rose another 3% to 23.9 million barrels.

Rumors continue to circulate about China buying some quantity of U.S. soybeans and U.S. corn. China's performance on the phase-one trade agreement fell far short of promises and Biden administration representatives are working to complete another new agreement.

<i>Data Source: USDA-AMS Market News</i>		Week of 1/21/22	Week of 1/14/22	Week of 1/22/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$137.50	\$136.61	\$109.23
	all grades, dressed weight, \$/cwt	\$217.92	\$217.99	\$172.58
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$290.87	\$280.27	\$219.09
	Choice-Select Spread, \$/cwt	\$10.79	\$9.70	\$10.46
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$162.97	\$161.63	\$136.45
	Nebraska 7-market, \$/cwt	\$167.81	\$168.87	\$140.93
	Oklahoma 8-market, \$/cwt	\$160.17	\$158.74	\$133.40
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$195.77	\$203.57	\$169.64
	Nebraska 7-market, \$/cwt	\$199.96	\$201.97	\$170.93
	Oklahoma 8-market, \$/cwt	\$185.60	\$185.05	\$162.01
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$6.12	\$5.88	\$5.04
	DDGS, Nebraska, \$/ton	\$229.00	\$210.00	\$232.00