

## In The Cattle Markets

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### Tightening Supplies

Cattle and beef markets continue to show good and improving strength into 2022. The opening weeks of February communicate potential tightening of, most notably, feeder animal supplies into the summer. Likewise, the strong volumes of fed slaughter suggest that the substantial volume of long-fed cattle are being worked through. All this is reasonably bullish news for cattle markets. And a fairly substantial change from the past three years of large numbers and abundant supplies at the farm and ranch level. These abundant supplies have compounded the market dynamics also attributable to supply chain disruptions experienced since the beginning of COVID in the US. 2022 gives the appearance of change.

Feeder cattle movements are reasonably strong through January and February. Prices likewise remain strong as cattle feeding organizations are more aggressively chasing available animals and lighter animals. This is in the face of Cattle on Feed reports that have communicated reasonably strong placements through the fall – for certain placements have not backed off. Dry weather in the northern plains and in the mountain west, as well as deteriorating wheat pasture conditions, are pushing animals to the feeding sector – which is all too pleased to pay better than \$2 a pound for 5 weight animals. It is anticipated that February's report will reveal the extent of placements and reenforce the likelihood of much shorter placements towards May.

Federally inspected daily fed steer and heifer has been remarkable during February. January revealed many problem days with 86 to 89 thousand head slaughtered. Market watchers had expected more as certainly those animals were available. Daily slaughter in February has routinely been greater than 90 thousand head and some days pushing 96 thousand. I anticipate the March Cattle on Feed report, which shows February marketings and placements, will reveal a drop the number of cattle on feed over 120 or over 150 days. However, the normal seasonal pattern which is an increase so an inventory returning to more normal levels.

While tightening supplies are being revealed, the demand side of the picture of the beef market is nothing short of incredible. Strong exports relative to imports, headline retail beef prices, huge retail and packer margins are all evidence of this demand. With the downstream market conditions such as they are then it is difficult to be bullish there. What seems more reasonable is that retail and packer margins may shrink and improve the prices at the fed and feeder level. It will be interesting to see what these margins become through 2022. I believe we do not understand the labor or operating or shipping realities.

However, certainly all is not good news and especially for feeder cattle and calves. The fall run of calves has persisted because of the lack of forage and price of it and other feedstuffs. DEC corn futures hover at \$6.00/bu some ten months from expiration. This is one of the strongest earliest prices with which I am familiar. But it's hard to argue with that trend underlying that contract. Speaking of.

## The Markets

What does the technical picture say? The long-term pattern is persistent on the charts. There are uptrends in place and resistance planes are being broken as most live cattle contracts push into life of contract highs. But again, the cattle markets do not chart like the grain markets. Cattle do not jump to new higher levels like soybeans do. Rather there are persistence moves higher with periodic sharp down moves. Live cattle contracts have trends in place and have broken resistance – buy signals. However, feeder cattle contracts are holding at resistance and less so on more deferred contracts – sell signals. Substantial improvements in feeder cattle prices will take topping of the feedgrain and oilseed markets.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 2/18/22</b>	<b>Week of 2/11/22</b>	<b>Week of 2/19/21</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$142.36	\$140.48	\$114.07
	all grades, dressed weight, \$/cwt	\$226.04	\$224.04	\$180.57
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$269.88	\$276.31	\$236.56
	Choice-Select Spread, \$/cwt	\$3.85	\$4.77	\$11.67
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$156.89	\$168.15	\$146.71
	Nebraska 7-market, \$/cwt	\$170.61	\$169.22	\$145.20
	Oklahoma 8-market, \$/cwt	\$162.63	\$163.85	\$134.80
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$208.78	\$197.83	\$181.08
	Nebraska 7-market, \$/cwt	\$211.41	\$204.00	\$177.99
	Oklahoma 8-market, \$/cwt	\$199.50	\$195.51	\$158.14
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$6.42	\$6.35	\$5.32
	DDGS, Nebraska, \$/ton	\$248.50	\$245.00	\$230.00