

## In The Cattle Markets

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### Improvements & Cautions

The cattle markets bring a mix optimistic and caution news. Fed cattle prices are at levels not seen since mid-2015. The substantial heifer composition of FI fed slaughter and the reasonably aggressive beef cow slaughter and liquidation clearly communicates the tightening future beef supplies. Boxed beef comprehensive cutout values continue to counter-seasonally soften but only from last year's greater than \$300 per cwt amounts. Beef demand continues to look very strong even as beef valuations and packer margins shrink. The beef supply chain gives the modest perception of something of a return to normal given the repeated restart issues of the past year. Beef production has been very strong since problems experienced in January. And retail beef prices are finally not the protein setting record high valuations.

There was a mix of news in the Cattle on Feed report. Placements were, again, surprising large compared to expectations. But then again maybe the drought-driven behavior by cow-calf and stocker producers reflects conditions worse than understood. Regardless, the very high cattle on feed inventories will impact the market for some time with these placements. But there is also the discussion that cattle feeding enterprises are chasing the available calves in anticipation of a tighter and smaller fall run. The inventory of cattle on feed over 120 days and over 150 days are only modestly tighter than 2021 and 2019. Putting together a useable assessment of these inventories is more difficult with the additional days on feed that is now more common. But futures communicate more clearly than ever a changing supply scenario into the last half of the year.

In addition to supply chains showing some smoothing out of operations, we may also be seeing the first of tighter animal numbers compared to industry capacity in feeding and packing. Of course, the relative supply and demand has not changed yet but the long-term dynamics in the cattle and beef industry is determined drought and feed costs – as well as economic returns. There are many definitive signals for tightening supplies. A variety of feeder cattle market summaries refer to demand as being moderate to good. High feeding costs and tight forage availability combined with lighter and more variable movements in feeder cattle and calves.

### The Markets

What does the technical picture say? The situation is different between nearby and deferred live cattle contracts. Deferred contracts sit at life of contract highs while the nearby contracts have backed off considerably. Up trends remain in place for live cattle contracts expiring into 2023. There are no clear trends for contracts expiring in 2022. Technically, the market appears to have exhausted its up move for this year while contracts for next year are priced at

better than \$150 appear willing to move higher. But then again, the cash market will have to remain strong for the rest of the year for basis not to be an issue. The technical picture for feeder cattle contracts mirror price moves in the corn market. The best opportunities for cow-calf producers to purchase LRP, put options, or make other price risk management decisions were again very early in the year. Before most producers consider those actions. Opportunities now look limited. Any movement of fall contacts back to resistance between \$180 and \$185 look favorable. But this market will also be strongly influenced by weather.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 4/29/22</b>	<b>Week of 4/22/22</b>	<b>Week of 4/30/21</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$143.34	\$143.02	\$118.89
	all grades, dressed weight, \$/cwt	\$232.31	\$232.29	\$190.44
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$263.21	\$269.58	\$291.79
	Choice-Select Spread, \$/cwt	\$10.39	\$12.45	\$12.65
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$157.00	\$163.75	\$140.73
	Nebraska 7-market, \$/cwt	\$166.82	\$170.29	\$143.08
	Oklahoma 8-market, \$/cwt	\$157.58	\$161.07	\$137.38
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$196.57	\$201.98	\$179.24
	Nebraska 7-market, \$/cwt	\$199.06	\$195.53	\$171.42
	Oklahoma 8-market, \$/cwt	\$193.30	\$189.40	\$162.58
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$8.32	\$8.09	\$6.68
	DDGS, Nebraska, \$/ton	\$325.00	\$327.50	\$232.50