

## In The Cattle Markets

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### June USDA Cattle on Feed Report Assessment

Cattle markets are a bit uneventful after the grain markets this past week. I believe some portion of that volatility will play out there after the Acreage report this Friday. In the meantime, there is a Cattle on Feed report to measure up. The USDA report released on June 23 appears to be neutral to bearish – as bearish as anything cattle related might be this year. Looking at the most important piece of information first, placements were higher than the prior year and were higher than anticipated. Pre-report expectations suggested that placements would be 102.0 percent of the prior year with a range of 100.1 to 103.7 percent. Thus, everyone was in agreement that placements would be higher. But actual placements during the month of May were 104.6 percent of the prior year at 1.955 million head. Higher and outside of the range. The futures market reacted trivially lower on Monday in the deferred contracts. Live cattle show persistent strength as opposed to a reaction to the report. And this is following the persistent strength in beef demand as revealed through the wholesale market. The boxed beef composite value has rallied to almost \$340 per hundredweight whereas it spent all of 2022 below \$295 and much of that year between \$255-\$275. There is clearly strong beef demand supporting the market. We also see this in a seasonally strong Choice-Select spread.

Fed cattle marketings were right in line with what was anticipated. Pre-report expectations communicated that marketings would be 101.6 percent of last year with a range of 101.1 to 102.0 percent. Actual marketings during the month of May was 101.7 percent of the prior year at 1.946 million head. The cattle feeding and meatpacking industries continue to face the prospects of lighter weekly and monthly marketings and slaughter. There have been very modest Saturday kills and packer margins have noticeably improved, but they remain as tight as they have been for years.

The inventory of cattle on feed over 150 days were down over the prior month and down compared to the prior three years, on feed over 120 days are down, and over 90 days were down again compared to last month and compared to the prior three years. Inventories are as tight as they have been for the past three years. This is bullish for the market outlook as long as demand remains strong.

Cattle on feed inventories continue to tighten from the peaks in 2022. The beginning of June saw an inventory of 11.552 million and roughly even with the beginning of June inventory from 2018. And there will be more and more of this to come with the level of heifer and beef cow slaughter. Beef cow slaughter remains down considerably from the prior year, but my assessment is that the industry is finally showing a neutral position and not liquidating nor rebuilding. Pre-report expectations anticipated that on-feed inventory would be 96.7 percent

of last year with a range of 96.4 to 96.9 percent. Actual inventories were 97.1 percent of the prior year – larger than expected.

## The Markets

What does the technical picture say? Feeder cattle futures have broken the short-term uptrend – this is a sell signal – but the breaking of that trend is not confirmed. Feeders have rallied back above the prior trend line. Both of these observations are likely due to what is happening in the corn market. And there are few technical patterns in corn with which I am comfortable. Regardless, fall feeder cattle contracts displayed a key reversal top June 7 and then broke the short-term uptrend. I am very comfortable securing price protection for fall calves during rallies – like this week. The live cattle futures contracts have been in a correction since the key reversal June 7 – not driven by corn. The short-term uptrend has been pressured but not broken. If live cattle are truly in a consolidation phase then the potential technical upside is impressive. But, again, achieving this type of move between June and October will be tough. Watch your charts and watch the boxed beef valuation. Tighter numbers but mainly strong demand are driving this market.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 6/23/23</b>	<b>Week of 6/16/23</b>	<b>Week of 6/24/22</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$182.57	\$184.92	\$144.55
	all grades, dressed weight, \$/cwt	\$289.81	\$296.07	\$235.22
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$335.96	\$339.93	\$266.05
	Choice-Select Spread, \$/cwt	\$30.62	\$30.03	\$20.25
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$234.14	\$257.01	\$167.00
	Nebraska 7-market, \$/cwt	--	\$244.75	--
	Oklahoma 8-market, \$/cwt	\$227.83	\$229.69	\$169.44
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	\$176.78
	Nebraska 7-market, \$/cwt	--	\$295.22	--
	Oklahoma 8-market, \$/cwt	\$255.63	\$268.97	\$186.61
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$6.79	\$6.66	\$8.02
	DDGS, Nebraska, \$/ton	\$221.71	\$230.50	\$230.00