

In The Cattle Markets

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Mid-Year Cattle

The trade was expecting continued contraction of cattle inventory levels prior to last Friday's *Cattle* and *Cattle on Feed* reports. There were very few analysts offering predictions of the inventory report. The actual estimate for all cattle and calves on July 1 was 95.9 million head, a level at the low end of expectations and 97.3 percent of a year ago. The beef cow and replacement inventories, while showing declines, were not quite as low as expected. The dairy cow and replacement inventories were not quite as high as expected. There is not a state-level breakdown so there is no clear indication of changes by location. There are very few "other heifers", indicating little flexibility to switch into expansion mode in the short run.

The smaller inventory level of "other heifers" can be combined with smaller inventory levels of steers and calves to get a full supply of potential feeder cattle. The smaller inventory of all cattle on feed is then subtracted to arrive at 34.4 million head of feeder cattle outside of feedlots. The current inventory is slightly above the level on July 1 of 2014. Thus, even with fewer cattle on feed, there are not many feeder cattle to replace them. While the *Cattle* report was not full of surprises, the tight supplies indicated above would be supportive of prices in general.

The trade had a narrow set of expectations about the *Cattle on Feed* levels, expecting lower placements and lower marketings compared to a year ago. The actual estimate for the number on feed in large feedlots was 11.2 million head. The actual placements were at 102.7 percent of a year ago or at the very high end of expectations. In contrast, the actual marketings were at 95.0 percent of a year ago or at the very low end of expectations. As a result, the actual number on feed is slightly above the level expected, which should give a little support to feeder cattle futures prices and may be slightly negative for nearby live cattle futures prices.

The placements were lower in Texas and higher in Nebraska and Kansas. Across weight categories there were more placed at lighter weights and fewer placed at heavier weights compared to a year earlier. The marketings were lower in Kansas compared to other major feedlot states. The heifer mix, or share of cattle on feed, had fallen slightly as of the beginning of the last quarter. As of July 1, the heifer mix was 39.9 percent of cattle on feed, which is up sharply from last quarter and higher than a year ago. The heifer mix is consistent with placement patterns and aggregate inventory levels. This suggests that producers have not yet been able to start any rebuilding. The feed situation will need to improve to allow producers to perhaps consider holding back heifers this fall for potentially entering the breeding herd. As the early runs start, the mix in sales volume would be an indication of that happening.

The Markets

The cattle markets finished mixed for the week. In the cash trade, fed cattle were higher on both a live basis and on a dressed basis. Boxed beef, in contrast, was lower. Feeder cattle prices were mixed in light trading. On the futures side, live cattle and feeder cattle were little changed. Implied volatility levels in both live and feeder cattle remain relatively low. Cash corn finished the week higher, while DDGS were slightly lower. Corn futures were sharply higher for the week and reflect some carry in the contract months following December.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/21/23	Week of 7/14/23	Week of 7/22/22
5-Area Fed Steer	all grades, live weight, \$/cwt	\$186.19	\$184.27	\$141.12
	all grades, dressed weight, \$/cwt	\$294.72	\$291.34	\$227.59
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$304.07	\$309.95	\$269.71
	Choice-Select Spread, \$/cwt	\$28.12	\$29.86	\$27.37
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$242.96	\$179.00
	Nebraska 7-market, \$/cwt	\$286.64	\$270.38	\$194.75
	Oklahoma 8-market, \$/cwt	\$246.51	\$241.99	\$169.94
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$286.00	\$192.00
	Nebraska 7-market, \$/cwt	--	\$321.09	\$205.00
	Oklahoma 8-market, \$/cwt	\$277.80	\$278.26	\$184.51
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$6.06	\$5.64	\$6.91
	DDGS, Nebraska, \$/ton	\$195.67	\$200.13	\$239.14