
June 24, 2024

In The Cattle Markets

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Cattle on Feed

Heading into the June *Cattle on Feed* report, the average trade expectation was for a slight decrease in the total on feed, with no analyst expecting an increase. Marketings were expected to be unchanged from last year. Placements were expected to be lower, with little consensus about the level. After the markets closed last Friday the report came out showing the on-feed total at 11.6 million head, unchanged from a year ago. Overall, this is bearish news for nearby cattle contracts and bullish news for deferred months.

Placements were the surprising aspect, coming in well-above last year and above the high end of trade expectations. The placements were up sharply in Nebraska and Texas, states with relatively lower marketings. There was no pattern in placement weights as all classes were above year ago levels. The on-feed totals are relatively high in the smaller feedlot states compared to last year. The marketings were very close to last year. Cross-referencing the tally with last Thursday's *Livestock Slaughter* report shows the total number of cattle slaughtered in May was lower than in 2023. However, the number of steers and heifers slaughtered was up slightly. The reduced total was entirely because of sharply lower cow slaughter. Carcass weights were sharply higher across classes compared to last May.

Will the seasonal decline in on-feed numbers occur this year? Generally, a lower level of placements is common in June and July, followed by lower on-feed levels in August and September. Compared to last year, range and pasture conditions for the U.S. are better than a year ago. The conditions are relatively poor in the extreme southwest U.S. with no major patterns elsewhere. Corn prices are sharply lower too. Thus, the feed constraints from last year have loosened. There are also fewer replacement feeders to draw from. Thus, fewer placements for the rest of summer can be expected.

This coming Friday is the June *Acreage* report. Hay will probably not receive much attention, but it remains a key input for cattle. Hay stocks as of May 1 were up sharply from last year. Having adequate feed is a necessary condition for expansion. Earlier this year producers expected to harvest 51.6 million acres of hay in the U.S. in 2024. While down slightly from last year, the expected level exceeds the total expected for recent years. Acres above the prospective level would be a sign of expansion plans. The ten-year average hay yield for the U.S. is 2.4 tons per acre. That would result in production of 124 million tons, which would exceed the 2023 production total of 119 million tons. Thus, any acreage figure close to last year would likely generate the tons needed to keep prices reasonable. The *Acreage* report will give a breakout by type too. To refine a production forecast, the ten-year yields for alfalfa and other hay are 3.3 and 2.0 tons per acre nationally.

The Markets

The cash market was higher for fed cattle and higher for boxed beef last week. The futures for live cattle and feeder cattle were mostly steady across contract months. Cash prices were higher for heavy feeders and lower for lighter feeders. The implied volatility levels for live and feeder cattle futures have stabilized after declining for several weeks. Cash corn was sharply lower for the week while distillers were slightly higher.

		Week of 6/21/24	Week of 6/14/24	Week of 6/23/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$194.84	\$192.55	\$182.57
	all grades, dressed weight, \$/cwt	\$310.55	\$305.47	\$289.81
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$321.39	\$318.29	\$335.96
	Choice-Select Spread, \$/cwt	\$17.43	\$17.56	\$30.62
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$278.50	\$278.38	\$234.14
	Nebraska 7-market, \$/cwt	\$289.70	\$277.23	\$--
	Oklahoma 8-market, \$/cwt	\$263.55	\$258.49	\$227.83
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$328.01	\$345.00	\$--
	Nebraska 7-market, \$/cwt	\$336.80	\$337.01	\$--
	Oklahoma 8-market, \$/cwt	\$308.98	\$313.47	\$255.63
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.55	\$4.71	\$6.79
	DDGS, Nebraska, \$/ton	\$161.43	\$161.00	\$221.71

Data Source: USDA-AMS Market News