

In The Cattle Markets

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March Cattle on Feed Report Assessment

The USDA Cattle on Feed Report from March 25 was neutral with some differences across potential marketing windows. Placements were decidedly strong and, while within the range of expectations, were at the very top end of that range. Pre-report expectations anticipated that placements would be 106.3 percent of last year with a range of 104.0 to 109.8 percent. Actual placements during the month of February were 109.3% of the prior year at 1.848 million head. (Well done, LMIC.) The futures market reacted little on Monday to this bearish-if-anything news in the deferred contracts suggesting that many participants were not surprised by the placement magnitude. Dry weather, poor pasture in the southern plains, and specifically poor wheat pasture have led to stronger feeder cattle movements into feedyards. It is also anticipated that placements through April and likely into May will be more modest than typical. Thus, while the intermediate term is bearish the long-term – or end-of-the-year market outlook is more optimistic.

Fed cattle marketings were also strong. Pre-report expectations anticipated that marketings would be 104.3 percent of last year with a range of 103.3 to 104.6 percent. Actual marketings during the month of February were 104.9% of the prior year at 1.825 million head. This is clearly bullish news in the short-term. The inventory of market-ready cattle continues to be reduced and will place less pressure on meatpacker operations. The inventory of cattle on feed over 150 days and over 120 days are increasing whereby following the normal seasonal pattern but are modestly below the prior year. These inventories expanded sharply during the pandemic shutdowns and have simply not returned to more normal levels. The focus on weekly, and even daily, fed steer and heifer slaughter will continue to occur and be appropriate until market-ready inventories shrink some. This is good news for market outlook but then again, those heavy placements will be with us through the summer.

Cattle on feed inventories are large. The beginning of March saw an inventory of 12.163 million and down modestly from the beginning of February's record large inventory of 12.199 million head. Pre-report expectations anticipated that on-feed inventory would be 101.1 percent of last year with a range of 100.8 to 101.5 percent. Actual inventories were 101.4% of the prior year and within the range of expectation but to the high side because of the heavy placements. Not entirely as expected but certainly explainable given the weather conditions impacting the feeder cattle system.

The Markets

What does the technical picture say? The long-term pattern on the live cattle charts is the same as it has been for months. There are uptrends in place and resistance planes are being

broken as live cattle contracts push higher. Optimism abounds with the strong beef demand picture and likelihood of tighter supplies in the future. However, the unexpected events tend to be supply and processing disruptions which delay the marketing of heavy market-ready inventories. There are persistent moves higher with periodic sharp down moves. Live cattle contracts have trends in place and have broken resistance – both buy signals. What is happening currently in the feeder cattle market is overwhelmingly focused on the grain markets. And we will know more about that with the Prospective Plantings report this week.

<i>Data Source: USDA-AMS Market News</i>		Week of 3/25/22	Week of 3/18/22	Week of 3/26/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$138.95	\$139.10	\$115.59
	all grades, dressed weight, \$/cwt	\$221.46	\$221.68	\$184.87
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$261.02	\$257.34	\$234.78
	Choice-Select Spread, \$/cwt	\$8.55	\$7.26	\$9.50
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$157.15	\$158.69	\$143.42
	Nebraska 7-market, \$/cwt	\$168.23	\$166.37	\$145.32
	Oklahoma 8-market, \$/cwt	\$156.79	\$156.38	\$137.50
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$200.68	\$201.25	\$167.69
	Nebraska 7-market, \$/cwt	\$200.10	\$203.47	\$178.10
	Oklahoma 8-market, \$/cwt	\$196.44	\$192.10	\$164.63
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.36	\$7.17	\$5.35
	DDGS, Nebraska, \$/ton	\$305.00	\$305.00	\$220.00