

In The Cattle Markets

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Cattle on Feed

The consensus for the April Cattle on Feed inventory level was for a slight increase, and the actual number came in at 102% of year ago levels at 12.1 million head. Both marketings and placements were expected to be lower with a typical wider disparity in the estimates for the placements. The higher overall total is due to lower actual marketings and higher actual placements. There were no indications that placements would be higher. As higher placements are the main surprise, the market response is likely to be somewhat muted, although still generally negative in the short run.

At the state level, not much stands out. Nebraska had relatively high levels of both placements and marketings compared to other states. There were not major patterns suggesting any type of response to dry conditions in the high plains states nor wheat grazing in the southern plains states. Across placement weights there were not major differences compared to a year ago. Going forward, the continued high grain prices would continue to reward trying to add weight to feeders prior to placement in the feedlot.

Another structural indicator from the April report is a quarterly measure of the heifer mix on feed. A high heifer mix would indicate few heifers being held back for expansion of the cow herd. The mix has been low in recent quarters, suggesting expansion has been held in check. In the latest report the heifer mix has shifted slightly lower. Because the total of-feed level remains high, this is not seen as a strong indication of expansion. However, it would help explain the short-run slaughter mix. As grain prices have continued to increase since harvest last fall, the expectation has been for finishing weights to decline. Seasonally, the slaughter weights for steers and heifers have declined, but the absolute level remains relatively high compared to recent years.

The likely effect on prices is mixed. Because the marketings were in line with expectations, the effect on nearby live cattle should be muted, say through the June contract month. There may be some pressure on the late-summer and early fall period. After that, say December onward, tighter supplies would be supportive of prices. For feeder cattle, the sharply higher placements is likely negative news for futures until the late fall. There is not an obvious backlog of market-ready cattle, nor is there an obvious source of pen space in feedlots in the short run. Perhaps some of the recent placements are from calves that would have gone onto grass this summer. Putting them on feed sooner suggests they may finish at slightly lighter weights. However, the evidence for this is weak. The coming weeks will bring some indications of how range and pasture conditions are starting out (next week) and how much old-crop hay is available to stretch any delays in green-up around the country (in the May Crop Production report).

The Markets

The markets finished mixed for the week. In the cash trade, fed cattle were higher and feeder cattle were lower. Boxed beef prices were lower but remain above year ago levels. Corn prices were higher on the cash side. Distillers were higher for the week. The implied volatility for live cattle remains low. The feeder cattle volatility has been high following corn volatility, but both have fallen somewhat in recent weeks.

<i>Data Source: USDA-AMS Market News</i>		Week of 4/22/22	Week of 4/15/22	Week of 4/23/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$143.02	\$141.02	\$121.36
	all grades, dressed weight, \$/cwt	\$232.29	\$225.89	\$192.11
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$269.58	\$272.48	\$280.19
	Choice-Select Spread, \$/cwt	\$12.45	\$12.69	\$8.73
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$163.75	\$170.00	\$147.84
	Nebraska 7-market, \$/cwt	\$170.29	\$167.15	\$150.32
	Oklahoma 8-market, \$/cwt	\$161.07	\$159.79	\$138.04
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$201.98	\$202.15	\$182.56
	Nebraska 7-market, \$/cwt	\$195.53	\$200.88	\$177.80
	Oklahoma 8-market, \$/cwt	\$189.40	\$194.31	\$168.12
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$8.09	\$8.00	\$6.51
	DDGS, Nebraska, \$/ton	\$327.50	\$320.00	\$212.50