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In The Cattle Markets

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October Cattle on Feed Report Assessment

The USDA Cattle on Feed Report released on October 21 appears to be neutral with evidence of the smaller numbers ahead. Placements were softer and were exactly as anticipated. Pre-report expectations anticipated that placements would be 96.2 percent of last year with a range of 91.8 to 99.0 percent. Actual placements during the month of September were 96.2 percent of the prior year at 2.080 million head. The futures market reacted sharply higher on Monday but the main strength in the up move was in the nearby as opposed to the deferred contracts. Dry weather, poor pasture in the southern plains, and specifically poor wheat pasture have led to larger feeder cattle movements into feedyards earlier in the late summer and fall. It is also somewhat anticipated that placements through October and November will be more modest than typical. Thus, both the intermediate and long-term – or outlook into next year is very optimistic.

Fed cattle marketings were strong and were understood to be so. Pre-report expectations anticipated that marketings would be 103.9 percent of last year with a range of 103.8 to 104.2 percent. Actual marketings during the month of February were inline and 104.0 percent of the prior year at 1.860 million head. The cattle feeding and meatpacking industries continue to move forward with substantial weekly and monthly marketings and slaughter. There has been a modest tightening of Saturday kills with working-day slaughter better than weekly averages of the past two years. The functioning of the beef supply chain continues improve. The inventory of cattle on feed over 150 are down modestly with the normal seasonal decline, on feed over 120 days are down slightly more, and over 90 days are down the most. The inventory of animals appears heaviest for long-fed animals and animals just placed on feed. Further, the backlog that was created and persisted since the pandemic shutdowns looks to finally totally clear during the fourth quarter. This is bullish news for market outlook.

Cattle on feed inventories are tightening. The beginning of October saw an inventory of 11.282 million and even with the beginning of September inventory of 11.234 million head. But for the first time this year the cattle on feed are below the prior year. And there will likely be more of this to come with calculated days on feed inventories, the level of heifer slaughter, and beef cow liquidation. Pre-report expectations anticipated that on-feed inventory would be 99.1 percent of last year with a range of 98.2 to 99.6 percent. Actual inventories were 99.1 percent of the prior year – as expected.

The Markets

What does the technical picture say? Today's market close has the potential to confirm the market move and signal from last week. Nearby contracts have broken resistance – a buy

signal – and have moved to new higher levels. The more deferred contracts are already at these price levels – and have moved up to resistance. All trends in live cattle contract prices point higher. The technical picture for feeder cattle is not nearly so optimistic. But of course, that market is reflecting the uncertainty and strength in feed grain and forage prices. The focus has been on corn prices, but the USDA NASS price received by producers for all hay in the U.S. reached \$246/T and the previous high was \$196/T in both last year and 2012. Technical signals communicate little when the fundamentals are so overwhelming.

<i>Data Source: USDA-AMS Market News</i>		Week of 10/21/22	Week of 10/14/22	Week of 10/22/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$150.07	\$146.99	\$124.39
	all grades, dressed weight, \$/cwt	\$235.28	\$231.60	\$195.83
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$251.93	\$246.31	\$280.70
	Choice-Select Spread, \$/cwt	\$30.02	\$31.56	\$18.70
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$173.44	\$182.42	\$152.31
	Nebraska 7-market, \$/cwt	\$186.15	\$184.91	\$164.36
	Oklahoma 8-market, \$/cwt	\$172.35	\$171.86	\$156.92
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$190.50	\$166.06
	Nebraska 7-market, \$/cwt	\$210.50	\$208.33	\$176.76
	Oklahoma 8-market, \$/cwt	\$181.89	\$177.39	\$160.91
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.04	\$7.18	\$5.23
	DDGS, Nebraska, \$/ton	\$277.71	\$283.57	\$207.50