

## In The Cattle Markets

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### May USDA Cattle on Feed Report Assessment

The USDA Cattle on Feed Report released on May 19 appears to be rather neutral with continuing evidence of the smaller numbers ahead. Focusing on the most important piece of information first, placements were lower than the prior year and were modestly lower than anticipated. Pre-report expectations suggested that placements would be 96.4 percent of the prior year with a range of 91.8 to 99.6 percent. Actual placements during the month of April were 95.8 percent at 1.748 million head. The futures market reacted lower on Monday but the weakness was in the nearby as opposed to the deferred contracts. Trading today is more than likely reflecting simple everyday volatility as opposed to a reaction to the report. There has been some recent relief to the dry weather in the southern plains, but it is likely too little too late to have much impact on feeder cattle movements. It was anticipated that placements through the spring would be more modest than typical. Thus, both the intermediate and long-term – or outlook into the fall and winter remains optimistic.

Fed cattle marketings have been modestly softer than anticipated. Week to week fed animal slaughter has been off. Pre-report expectations anticipated that marketings would be 90.2 percent of last year with a range of 89.0 to 91.0 percent. Actual marketings during the month of April was basically inline and 89.9 percent of the prior year at 1.701 million head. The cattle feeding and meatpacking industries continue to move forward with lighter weekly and monthly marketings and slaughter. There have been very modest Saturday kills and no incentive for the packer to run this additional day given the much tighter wholesale margins. The beef supply chain appears to have no problems related to throughput. The inventory of cattle on feed over 150 days were up modestly over the prior month and down over the prior year, on feed over 120 days are up very modestly, and over 90 days were seasonally up compared to last month but down the most compared to the prior year. Marketings were clearly slower and while the inventories of animals are tighter than the prior year but larger than the prior month. This is only long-term bullish for the market outlook.

Cattle on feed inventories continue to tighten from the peaks in 2022. The beginning of May saw an inventory of 11.608 million and roughly even with the beginning of April inventory of 11.612 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 96.5 percent of last year with a range of 95.5 to 97.1 percent. Actual inventories were 96.6 percent of the prior year – as expected.

## The Markets

What does the technical picture say? The live cattle futures contracts have been in a strong rally since this time last year. The market has broken into record highs but has not been able to hold those levels. Long-term the market is at resistance. This is a sell signal. However, in the short term all live cattle contracts maintain strong up trends. These trends need to be watched and when those trends are broken then that produces additional sell signals. Those signals have not yet happened, but this is the time of year where live cattle tends to peak. Higher prices into the late summer, with heavier slaughter weights, are tough to maintain. Live cattle contracts, both nearby and deferred, as also at resistance. Over the next several weeks, the trends and resistance should be watched. One of the two must break. If resistance breaks then that is what is needed for the market to move higher. And if the trends break then that is a signal that the market is topping. Watch your charts.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 5/19/23</b>	<b>Week of 5/12/23</b>	<b>Week of 5/20/22</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$175.15	\$174.13	\$140.25
	all grades, dressed weight, \$/cwt	\$280.84	\$279.48	\$225.80
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$299.80	\$306.63	\$261.03
	Choice-Select Spread, \$/cwt	\$15.90	\$21.87	\$15.23
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$237.74	\$224.90	\$158.75
	Nebraska 7-market, \$/cwt	\$208.52	\$231.69	\$173.14
	Oklahoma 8-market, \$/cwt	\$209.93	\$205.79	\$157.01
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$281.77	\$273.11	\$206.57
	Nebraska 7-market, \$/cwt	\$291.96	\$270.70	\$203.26
	Oklahoma 8-market, \$/cwt	\$259.06	\$254.00	\$187.08
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$6.25	\$6.47	\$8.09
	DDGS, Nebraska, \$/ton	\$260.00	\$268.00	\$270.00