



# IN THE CATTLE MARKETS



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## August USDA Cattle on Feed Report Assessment

The USDA Cattle on Feed Report was released on Friday, August 23 and contains information on inventories at the beginning of the month and flows of animals into and out of feedlots for the prior month. Placements, marketings, and on-feed numbers were within the ranges of the pre-report expectations but the report does have a bullish tone. Placements are the most important piece of information in the Cattle on Feed report. Marketings can be assessed through daily and weekly slaughter information, and on-feed inventories are largely the net changes due to these marketings and placements.

Placements were very strong and 105.8% of the prior year. Pre-report expectations suggested that placements would be 104.1% of the prior year with a range of 101.9% to 105.9%. Actual placements during the month of July were at 1.702 million head. This is at the top end of the range but the majority of those participating in the trade survey were also towards the top end of the range. Regardless these are heavy

placements compared to the prior year and suggest early placement of animals from regions with drought pressure forage. This also suggests early placement and perhaps tighter numbers later into the fall. Thus, the heavy placements are actually a bit bullish. The futures for feeder cattle reacted strongly with up moves on the fall run contracts.

Fed cattle marketings were slower than anticipated. Pre-report expectations anticipated that marketings would be 108.3% of the prior year with a range of 107.8% to 109.0%. Actual marketings during the month of July were at 1.855 million head. These were strong marketings into the summer and likely some of the cause of the downward pressure on fed cattle prices. Likewise, better packer margins and reasonably strong beef product prices have not incentivized packers to run hours and shifts.

The weakening feed grain market through this spring and summer incentivized feedlots to grow larger animals – costs of gain were dropping, and prices remained strong. And feedlots responded. I do not recall observing counter-seasonal changes in slaughter weights to that degree. And on-fed numbers persist when weights are increased.

The beginning of August saw an inventory of 11.095 million and modestly smaller than beginning of July inventory of 11.304 million head. This was modestly larger than the inventory for the beginning of August the prior year. The pre-report survey suggested that the on-feed inventory would be 100.1% of last year with a range of 99.8% to 100.5%. Actual inventories were 100.3% of the prior year.

However, market-ready inventories are the main driver of price in the coming month. The inventory of cattle on feed over 150 days was down in the month of July but only modestly and remained larger than that of the prior four years. This long-feed inventory of animals will impact the fed cattle through the third quarter. However, cattle on feed over 120 days was sharply lower. All of these on feed over days are calculated and not in the report. However the inventory-based outlook appears rather bearish in the third quarter and bullish after that.

## **The Markets**

What does the technical picture say? Feeder cattle and live cattle futures are up today Monday after the report. But I am not sure it is entirely due to the report. Both markets have sold off hard during the entire month of August with a correction-like respite during the second week. The selloff occurred after two months of sitting and resistance and failing to push through. I am also not surprised at the selloff due to hedging activity from the strong placements. There are no comfortable trends on the charts – with the exception of corn. Most contracts sit at support established back in April or around December of last year. Markets at support are a buy signal. However, strong marketing needs to persist with the inventory of long-fed cattle.

Watch your charts.

		Week of 8/23/24	Week of 8/16/24	Week of 8/25/23
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$185.54	\$189.14	\$182.75
	all grades, dressed weight, \$/cwt	\$293.93	\$298.04	\$292.75
<b>Boxed Beef</b>	Choice Value, 600-900 lb., \$/cwt	\$315.83	\$316.41	\$317.04
	Choice-Select Spread, \$/cwt	\$14.51	\$15.23	\$26.44
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$253.00	--	\$267.00
	Nebraska 7-market, \$/cwt	\$257.78	\$263.65	\$267.17
	Oklahoma 8-market, \$/cwt	\$244.25	\$254.58	\$249.92
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$309.37	\$310.50	\$296.71
	Oklahoma 8-market, \$/cwt	\$281.92	\$302.40	\$282.98
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.92	\$3.97	\$5.30
	DDGS, Nebraska, \$/ton	\$148.00	\$147.00	\$195.88

Data Source: USDA-AMS Market News as compiled by LMIC

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