

In The Cattle Markets

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Cattle on Feed Report Neutral to Friendly

Last Friday afternoon, USDA-NASS released the monthly Cattle on Feed report and semi-annual Cattle Inventory report, both of which are generally viewed as neutral to slightly bullish to cattle prices. Comments and analysis of the Cattle Inventory report are available in the [LMIC Livestock Monitor](#).

The regular monthly Cattle on Feed reports provide an estimate of the on feed, placements, and marketings figures for feedyards with 1,000+ head capacities. At 9.752 million head, the Cattle on Feed inventory in those yards on July 1 was 5.3% lower than last year, and slightly lower than the average pre-release trade estimate. The July 1 cattle on feed inventory hasn't been this small since 1999 and reflects the reduction in placements over the past several months caused by small calf crops in recent years and reduced imports of feeder cattle. The semi-annual Cattle Inventory report provides a twice-a-year on feed estimate for all feedyards (regardless of size). The July 1 estimate for all feedyards was 11.6 million head, 4.9% lower than a year ago, suggesting that the reductions in cattle available for placements in recent months has impacted small and large feedyards similarly.

Net placements of cattle on feed last month totaled 1.334 million head, 8.2% lower than June 2008 and the smallest June placements since 1996. This reduction was slightly larger than expected and reflects the generally poor feeding margins and huge losses feedyards have suffered in the past two years. Interestingly, the placements pattern for the previous two months favored proportionately more light weight calves relative to heavier yearlings. In June, however, the trend that has persisted over the last couple of years towards placing more heavy weights continued. Placements of 700-799 lb. and 800+ lb. feeders were down only 3.1% and 5.7%, respectively, while placements of 600-699 lb. and <600 lb. feeder cattle dropped 10.8% and 13.7%, respectively. This is a bit concerning in that the April and May placements of lighter calves targeted more fed cattle marketings toward the fourth quarter of 2009, and now relatively more placements of heavier cattle in June target more cattle to this same quarter.

Despite small placements in recent months and a small on feed inventory, marketings in June were actually up 0.8%. Still, it was the second smallest marketings figure for June since the series began in 1996 (last year was the smallest). June did have one more marketing day this year than last, so average daily marketings were down 3.8% last month. Given the drop in cattle on feed numbers, marketings have been relatively robust. Marketings as a percentage of the cattle on feed inventory was 19.1%, one percentage point higher than last year and on target with the 5-year average.

Overall, reaction to the cattle on feed report should be relatively neutral to slightly positive. For my audio comments on the Cattle on Feed and Cattle Inventory report, go to [Brownfield News Network](#).

The Markets

Fed cattle trade grew active last Thursday in Nebraska, at prices fully steady with the previous week. The 5-area steer price was slightly higher, at \$132.20/cwt, on a dressed basis and slightly lower on a live basis last week. Choice boxed beef prices did rally about \$4/cwt to average \$141.45 for the week, which lent support to fed cattle prices last week. Feeder cattle receipts were light last week in Nebraska and Montana. Yearling prices were slightly stronger in Oklahoma and a little softer on calves. Corn prices found some strength last Thursday, and closed above \$3/bu in Omaha on Thursday, before retreating below \$3 on Friday. Distillers grain prices have dropped along with the corn market over the past month. Last week, DDGS were about \$9/ton lower than the prior week and WDGS prices were \$1/ton lower. At 66% of the corn price (dry matter basis), WDGS is a fairly good buy right now, as is seasonally typical.

		Week of 7/24/09	Week of 07/17/09	Week of 07/25/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$83.29	\$83.62	\$94.79
	all grades, dressed weight, \$/cwt	\$132.20	\$131.87	\$151.46
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$141.45	\$137.39	\$163.11
	Choice-Select Spread, \$/cwt	\$6.24	\$6.17	\$6.37
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	--	\$101.50	--
	Nebraska 7-market average, \$/cwt	\$104.65	\$106.81	\$118.07
	Oklahoma 8-market average, \$/cwt	\$103.08	\$102.60	\$112.17
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	--	--	--
	Nebraska 7-market average, \$/cwt	\$119.00	\$115.46	\$129.64
	Oklahoma 8-market average, \$/cwt	\$106.40	\$107.06	\$117.75
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.09	\$2.96	\$5.27
	DDGS Price, Nebraska, \$/ton	\$100.63	\$109.20	\$167.75
	WDGS Price, Nebraska, \$/ton	\$30.00	\$31.10	\$68.75