
March 23, 2020

In The Cattle Markets
Brenda Boetel, Professor
Department of Agricultural Economics, University of Wisconsin-River Falls

Cattle on Feed

The USDA released the latest Cattle on Feed report on March 20. Overall the report was neutral, and there were only slight deviations from the analyst's expectations for the report.

Cattle and calves on feed for feedlots with capacity of 1,000 or more head totaled 11.8 million head on March 1, 2020. This is essentially unchanged from 2019, which was 11.7 million. Cattle on feed over 90 days is up 0.2%.

Marketings of fed cattle during February totaled 1.78 million head, 5.5% over 2019, with the same number of marketing days. Marketings represented 14.9% of the cattle on feed. March will likely see higher year-over-year marketings as well given the number of cattle on feed and the higher number of cattle on feed over 90 days.

Placements in feedlots during February totaled 1.71 million head, 7.9% below 2019. Net placements were 1.65 million head, down 7.8%. Although placements were expected to be lower, due to improved grazing conditions, the decrease in feedlot profit opportunity has contributed to the even lower placement numbers. Just one month ago, I was at a cattle producer meeting in Wisconsin talking about the profit potential feedlot producers would have this year. Today, cattle placed in March no longer have that opportunity and instead will experience losses.

Given the smaller placements in February and the likely smaller placements in March, expect smaller marketings later this summer.

The Markets

Tyson announced this past weekend that all fed cattle harvested the week of March 23 will receive a premium of \$5 per cwt live and \$7.94 per cwt dressed. This premium will be added to the base cash price for the week. The justification is to support the long-term sustainability of the cattle industry by supporting the cattle feeder.

Consumers have changed their recent buying pattern from eating out to eating in. as such there has been a significant increase in beef at the grocery store, which led to boxed beef prices rallying \$44 rally last week. Recognize that restaurant sales have lagged, and long-term significant value is received by consumers eating high quality cuts in restaurants. The boxed beef price rally will likely continue this week as retailers restock shelves. However, there is no evidence that consumers are eating more beef currently, and as such the demand will likely decrease significantly once the supply system catches up with the rush demand of the last few

weeks. Luckily the grilling season is right around the corner and that should help alleviate some of the expected drop in prices.

| | | Week of | Week of | Week of |
|--|------------------------------------|----------|----------|----------|
| <i>Data Source: USDA-AMS Market News</i> | | 3/20/20 | 3/13/20 | 3/22/19 |
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$109.89 | \$108.84 | \$128.96 |
| | all grades, dressed weight, \$/cwt | \$173.13 | \$174.05 | \$207.64 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$243.03 | \$207.15 | \$228.95 |
| | Choice-Select Spread, \$/cwt | \$9.88 | \$7.68 | \$10.28 |
| 700-800 lb. Feeder Steer | Montana 3-market, \$/cwt | \$126.71 | \$129.02 | \$146.48 |
| | Nebraska 7-market, \$/cwt | \$136.69 | \$140.68 | \$154.99 |
| | Oklahoma 8-market, \$/cwt | \$119.39 | \$127.39 | \$144.34 |
| 500-600 lb. Feeder Steer | Montana 3-market, \$/cwt | \$171.10 | \$162.14 | \$183.12 |
| | Nebraska 7-market, \$/cwt | \$168.68 | \$177.35 | \$190.72 |
| | Oklahoma 8-market, \$/cwt | \$146.68 | \$158.22 | \$175.46 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$3.26 | \$3.56 | \$3.70 |
| | DDGS, Nebraska, \$/ton | \$148.69 | \$140.15 | \$154.30 |