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## In The Cattle Markets

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### Yes, Larger Placements, But Let's Dig Deeper in the Report

Feedlot placements bucked seasonal trends in July by declining, but rebounded in August according to USDA's Cattle on Feed Report. Placements were reported up 2.6 percent over a year ago. The 1.928 million head placed were the most for an August since 2012. While the average pre-report estimates were for placements to be below a year ago, a 2.6 percent increase was within the range of estimates. It's also interesting to note that the range of pre-report placement estimates was large, about 16 percentage points, reflecting a lot of uncertainty prior to this report. That uncertainty reflected regional placement patterns, red ink in recent closeouts, drought in the Northern Plains, but abundant grass likely holding calves in other regions. All in all, this report was likely a surprise for some market participants.

The distribution of placements by weight was, perhaps, the most interesting part of the report. All of the increase in placements was in the 800-899 (up 50,000 head) and the 900-999 pound category (up 15,000 head). That 65,000 head increase in placements was slightly offset by lower placements in the 600-699, 700-799, and 1,000 pound plus categories.

Digging in a little deeper suggests more evidence of cattle numbers pushing on-feed inventories to reflect older seasonal patterns. It is normal for August placements to exceed those in July. Most years during this decade that month to month increase has been around 100,000 head. This year's increase from July was 313,000 head, slightly larger than last year's 307,000 head and the largest July to August increase since 2010. In the decade of the 2000's it was not uncommon to have over a 400,000 head increase in placements over the July to August period.

Before we all freak out about placements being above the average expectation, a little perspective is in order. Total placements were 49,000 head above August 2016. That's not a large number compared to total placements of 1.9 million. The 65,000 head increase in the heavier categories marketed over a likely 2 month period is about 1,500 head per day, likely early in 2018, with maybe a few in late 2017. And remember, marketings exceeded placements in August for the first time since 2013, pulling down on-feed inventories. Feedlot marketings continued at their rapid pace, up 6 percent, which is preventing backed up supplies.

Cattle on feed were reported up 3.6 percent. It's likely that if a year ago we would have said that cattle on feed would be up about 3.6 percent in mid-late 2017 most would have said "that seems about right." The on-feed number is not really out of line with longer term trends in cow herd and calf crop estimates. I think it's also fair to say that USDA's rounding of the

placement and on-feed numbers in the report makes the headline numbers seem more alarming. On-feed up 4 percent seems a lot worse than 3.6 percent.

Fed cattle sold at about \$108 this week, up \$2 from last week. It's worth remembering also that current prices reflect the current market. The cattle on feed report contains information about market affecting supplies that will affect prices some months down the road. If anything, there is some fundamental market information that would suggest \$108 fed cattle might be underpriced.

### The Markets

Fed cattle prices climbed about \$1-2 per cwt last week. The Choice beef cutout strengthened, as well. Both fed cattle and the Choice cutout are above a year ago. Calf markets were a mixed bag across the country, higher and lower. In general, calf markets have continued to maintain a larger premium to fed cattle than earlier in the year. While not reflected in the table below, the value of hides and offals (drop credit) have steadily declined to about \$1 cwt, live weight, less than last year, sucking some value out of fed cattle.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 9/22/17</b>	<b>Week of 9/15/17</b>	<b>Week of 9/23/16</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$108.50	\$105.89	\$105.89
	all grades, dressed weight, \$/cwt	\$170.64	\$166.48	\$167.09
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$191.98	\$191.03	\$186.48
	Choice-Select Spread, \$/cwt	\$3.54	\$2.53	\$7.01
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$157.48	\$162.39	\$140.82
	Nebraska 7-market, \$/cwt	\$164.01	\$161.47	\$143.36
	Oklahoma 8-market, \$/cwt	\$156.31	\$154.17	\$139.53
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$172.47	\$158.71	\$135.39
	Nebraska 7-market, \$/cwt	\$177.04	\$182.35	\$155.63
	Oklahoma 8-market, \$/cwt	\$158.92	\$163.95	\$142.04
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.10	\$3.19	\$3.06
	DDGS, Nebraska, \$/ton	\$106.50	\$108.00	\$118.25