Daily Livestock Report

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Cattle on Feed for February will be released on Friday. February was a leap year but slaughter days were identical to last year. Overall, analysts are expecting a sharp decline in placements relative to last year. The average pre-report estimate is down 7.6%, with a range from 11% to 2.9% below a year ago.

The drastic decline in placements is likely tied to nervousness in the market and the drastic declines in fed cattle prices in cash and on the futures market. Cattle feeders looking to hedge would have found slim opportunities to lock in profits for cattle placed in February. Cattle coming off of wheat pasture likely did not start until March and there are fewer on wheat pasture than a year ago. The USDA NASS January 1 Cattle Inventory report estimated that this year has 15% fewer cattle than last year.

Placements may not look as low next month, but cattle feeders will still be looking at placing cattle against a futures board that shows fed cattle below breakeven at the time of placement. This could dampen placements moving forward as well. Grass and green-up will be a key for the feeder cattle complex. The price of feeder steers weighing 700-800 pounds have fallen over the month. There may be opportunities to move those animals to summer grass instead of placing them in feedlots, but that will remain highly dependent on spring grass conditions.

Cattle feeders were thought to have aggressively marketed slaughter ready cattle in February. Pre-report estimates were 5% to 6.2% above a year ago with the average falling at 5.6%. It is thought that cattle feeders are likely marketing cattle that were hedged in the fourth quarter. Looking back to those highs, the February fat cattle contract closed daily above $120 per cwt from late October 2019 until about the 2nd week of February 2020. The April contract hit as high as $128 per cwt and closed above $125 from November 2019 through most of January 2020. March is likely to also show more aggressive marketing of hedged cattle.

The relative estimates for placements and marketings bring the Cattle on Feed on March 1 even with a year ago. The average pre-report estimate is 100.2% of a year ago, with a tight range of 99.7 - 101.0%. The tightness of cattle on feed could mean that once the COVID-19 fear wanes cattle prices could see an sharp rebound. The estimates though for COVID-19 have been evolving and it is difficult to say when that is over. GDP will likely take a significant hit in the 2nd quarter of 2020 and third quarter. Stimulus measures are being discussed but the specifics and their effects of those are still unknown.

Yesterday, President Trump tweeted the U.S.-Canadian border would be closed to all non-essential movement, but that trade would not effected. As of the time of this writing, it is not expected to hamper livestock movement but is a foreboding sign for future closures. The U.S. cattle industry is heavily intertwined with its northern and southern neighbors. Border closures could impede (slow or make more difficult) livestock trade even if it does not halt movement.

Cattle on Feed Industry Pre-Report Estimates

	Pre-Report Average	Pre-Report Range
On-Feed March 1	100.2	99.7 - 101.0
Placed in February	92.4	89.0 - 97.1
Marketed in February	105.6	105.0 - 106.2

Pre-Report Source: Urner Barry (used with permission)