Daily Livestock Report

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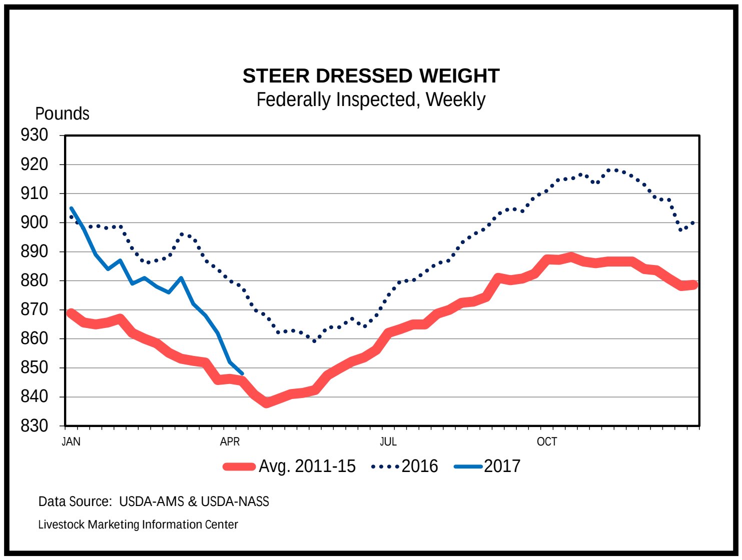
The factor causing cattle dressed weights this year to decline more than seasonally since the beginning of January has been the rate at which slaughter steers and heifers have been marketed. Aggressive feedlot marketing's have had a biological impact; that of causing year-over-year declines in steer and heifer dressed weights. In the memory of the author of this particular article, who has continuously analyzed fed cattle markets for many years, in winter/spring timeframes when steer and heifer dressed weights posted large year-over-year declines like this year, the cause was very severe winter weather in the major cattle feeding regions. This year has been different, and some caution may be required in projecting weights in the months ahead. (Note the author relied on memory and did not evaluate actual winter weather data.).

As shown in recent USDA-National Agricultural Statistics (NASS) Cattle on Feed reports, feedlot marketing's have been aggressive. March marketing's increased by 9.5%, year-over-year, and was 8.1% above the prior 5-year average (2011-2015). For the first quarter of this year, cattle marketed increased 7.8% and 2.1% compared to 2016's and the 2011-2015 average, respectively. In recent months, year-over-year increases in animals placed into feedlots and marketed have largely offset. For example, even though placements during March were up 11.1% (210,000 head) from 2016's the April 1st on-feed count was only increased 0.5% (51,000 head).

Here we define "marketing rate" as the proportion (percent) of cattle marketed by feedlots relative to the inventory. Often the marketing rate is referred to as the feedlot turn-over rate. Small percentage changes in the marketing rate are important. In March of this year it was 17.8%, which was up 1.6% year-over-year and 1.8% above the prior 5-year average. For 2017's first quarter, the marketing rate was up 1.1% from 2016's and increased 1.0% compared to the 2011-2015 average.

In yesterday's weekly "actual" slaughter data collected by NASS and published by USDA's Agricultural Marketing Service Market News Division (which is for the week ending April 15th), U.S. average Federally Inspected steer dressed weight dropped four pounds week-over-week and was down 20 pounds over the last four weeks of data. Year-over-year, steer dressed weight declined 30 pounds. Compared to a year ago, that is reducing the meat tonnage that each animal slaughtered provides to the marketplace.



What factors have come together to drive-up the marketing rate since January? First, beef demand has been strong both by domestic customers and foreign buyers. That demand has caused strong demand for fed cattle by packers. Cattle feeders have been willing sellers because they have been making profits in recent months and the "market profile" has supported turning-over their feedlot inventories. By market profile we refer to two keys. First, for months now the deferred futures prices have been indicating sharp price drop, pushing hedged cattle out of feedlots and even encouraging non-hedged animals to be sold. Second, the cost of feeder animals made replacing animals currently on-feed with new feeder cattle rather attractive. Lower feeder animal costs and the return to profitability are in stark contrast to the last few years which tended to delay marketing of slaughter ready cattle.

Since the first week of January, the factors described above have resulted in generally increasing fed steer prices. Yesterday, according to USDA's Agricultural Marketing Service Market News Division, the negotiated (cash) fed cattle price jumped up and was fully $20.00 per cwt. above early January's.