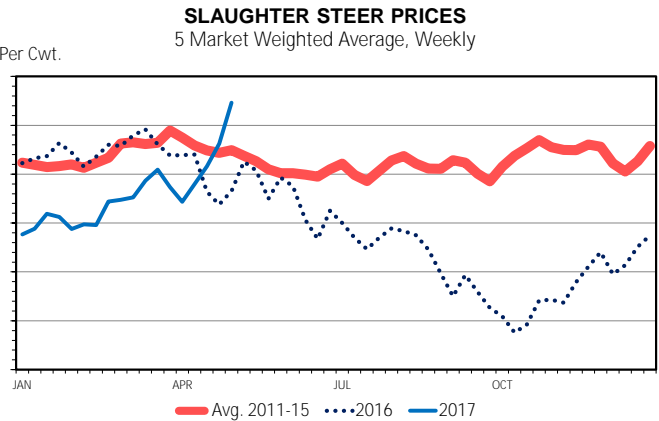
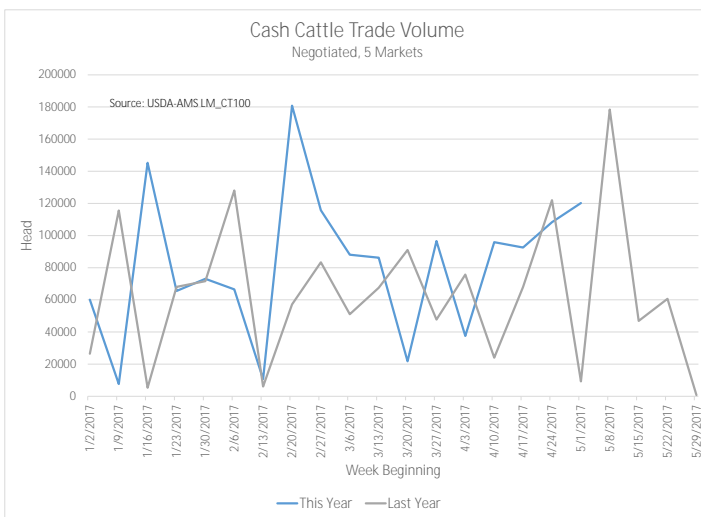


Last week's slaughter cattle market was a wild ride. The same could be said for the first week in May of 2016, so it seems that week of the year is prone to some excitement. Choice cattle prices hit the high for the year in negotiated cash trade last Thursday, with the average steer price reported by USDA-Agriculture Marketing Service (AMS) on report LM\_CT100 reaching close to \$145 per cwt. Feedlots were willing takers of the aggressive bids from packers. USDA-AMS reported negotiated sales volumes of steers and heifers for the day of 96,800 head, the highest daily trade volume for the year-to-date. Negotiated cash trade volume for the week was 120,000 head, the third largest weekly volume so far this year.

Choice cattle trade started out the week in typical light fashion, with prices close to \$136.00 per cwt., about \$1 less the close of the prior week. Trade volume was average for the start of the week at less than 10,000 head. A smattering of cattle trade on Tuesday was followed by quiet markets on Wednesday. Thursday saw trade explode with prices jumping close to \$10 from Monday. Prices on Friday were steady with a small volume of clean-up trade.

This pattern of trade was almost the exact opposite of what happened a year earlier. Prices opened that week at \$123, down \$1 from the end of the previous week (similar to last week). Again, there was minimal trade on Tuesday, but Wednesday saw cattle feeders willing to take packer bids that were down \$5 from Monday. The trade volume was small, close to 1,000 head, but it was all packers needed to get them through the week. The weekly total for negotiated cash trade was less than 10,000 head of steers and heifers, compared to 120,000 last week.

The chart below shows the collapse in trade volumes that occurred



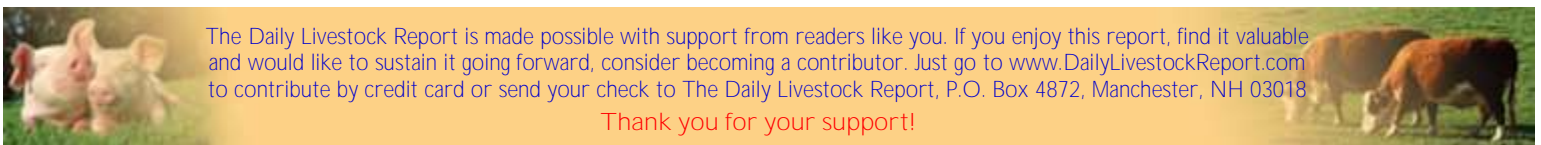
Data Source: USDA-AMS Livestock Marketing Information Center

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in the first week of May a year ago, along with the huge spike in volume the following week. By comparison, trade volumes in the spot market for cattle this year, during the last month, have less volatility than a year ago. This is probably a consequence of steady or improving demand for beef faced by packers this year.

Focusing on how cattle trade unfolded in the second week of May a year ago provides some interesting points. On Monday, May 9, 2016, packers raised their bids for cattle by close to \$10 per cwt from the price in the middle of the prior week. Cattle feeders warmed to this higher prices, with the daily trade volume reaching 76,000 head of steers and heifers. Trade was quiet for the next three days, but then packers raised their bids another \$6 on Friday which was met with a trade volume of close to 100,000 head. That was the highest weekly trade volume for the year, barely beating out the spike in trade that occurred in mid-November. In the weeks that followed, choice cattle price moved \$2 higher in the third week of May but then began to drift lower in the following two weeks.

The current situation appears to be more stable than a year ago. The trade volumes of the last month should be an indication that packer inventories of owned cattle are big enough to not prompt another week of forced buying at significantly higher prices. Meanwhile, feedlot inventories of cattle on feed 120 days or longer were at the lowest level in ten years at the beginning of April. Steer and heifer slaughter during April, as well as trade volumes do not suggest that market-ready feedlot inventories increased during the last month.



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