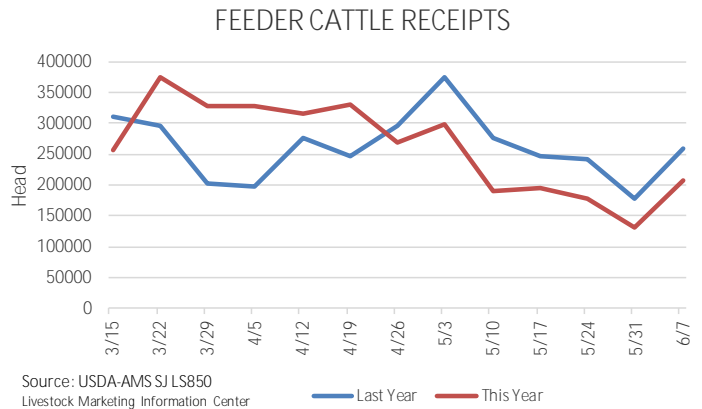


The tide of feeder cattle trade volumes during May was ebbing following high marks in April. Total feeder and stocker cattle receipts reported by USDA-Agricultural Marketing Service (AMS) in report SJ LS850 during April were up 22% from the prior April. This translated into placements into feedlots with capacities over 1,000 head that were up 9% in April from a year earlier. The tally of feeder cattle receipts in the USDA-AMS report during May was down 26% from May 2018. Sometimes the number of weeks ending on a Friday (when SJ LS850 is released) can vary between years for the same month, but that was not the case this May. There were 5 Fridays in May for both 2018 and 2019.

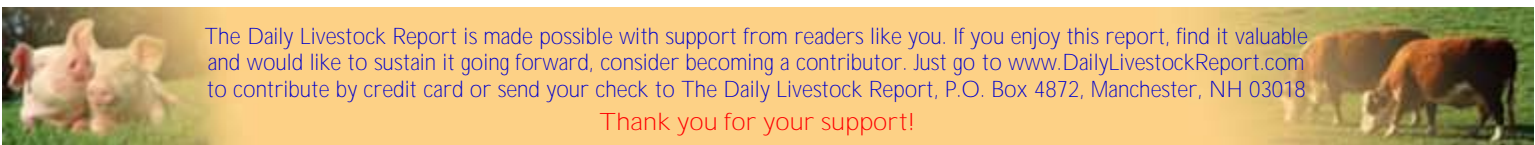
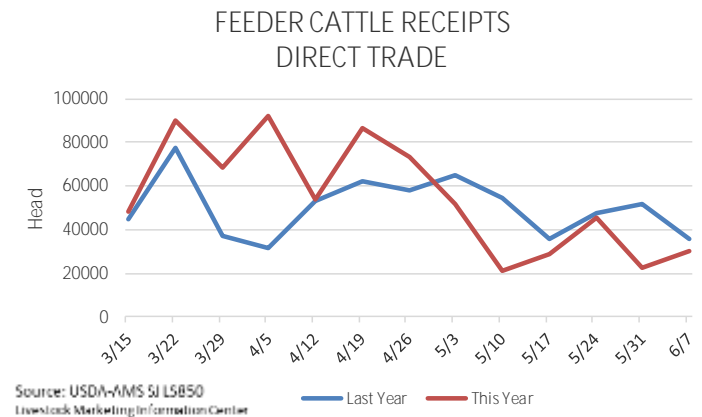
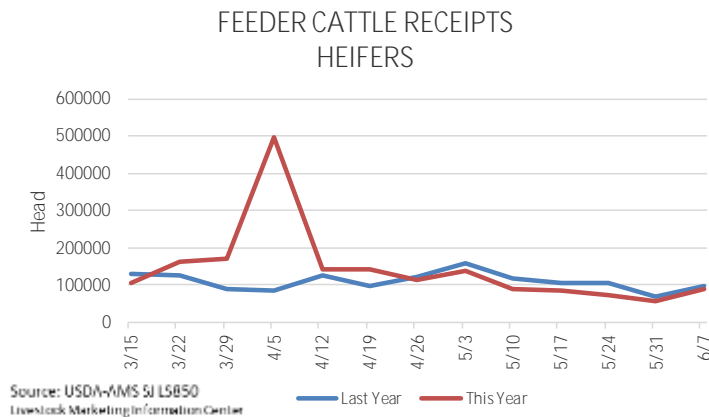
The spread between a 22% increase in total receipts in April and the 9% jump in placements may be attributable to receipts in the week ending May 3. The first two days of that week were actually in April. The decline that week probably worked to offset some of the sizable increases in the prior four weeks, thereby moderating the actual flow of feeder cattle through marketing channels to be more in line with the increase in April feedlot placements.

Weekly receipts in May ran below year earlier volumes in a more consistent manner than during April. April volumes started out the month far above a year earlier and ended the month below a year earlier. Simple regression statistical techniques can be useful when trying to forecast feedlot placements for a given month. The USDA-AMS weekly report breaks out receipts by three channels; auctions, direct trade, and internet or electronic markets, along with the corresponding total for all of the markets. Over the last 16 years, the volumes of feeder cattle moving through direct trade have shown the tightest statistical relationship to feedlot placements during the spring quarter. Based on direct trade volumes this May, the statistical relationship to feedlot placements points to feedlot placements declining



12% from a year ago. The performance of this forecast technique in the last two years has run below actual placements by 170,000 and 130,000, respectively. Adjusting for this bias (using 150,000 as a midpoint) would give a forecast for May feedlot placements that would be down 5% from May 2018.

A deeper dive into the weekly receipt data over the last three months shows heifer receipts surprisingly steady with a year ago, with the exception of the first week in April. The spike in heifer receipts in April helps to validate the large feedlot placements for that month, but implies that other variation in placements would be due to marketing decisions focused on feeder steers. Favorable range and pasture conditions this spring was a key element providing cattle producers with an option of delaying feeder cattle marketings when faced with declining prices, which was a big issue in May.



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