Daily Livestock Report

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Friday, USDA-NASS released the Cattle on Feed report providing an updated look at feedlots with a capacity greater than 1000 head. The inventory came in on the high side of analysts' pre-report estimates, showed marketings equal to expectations, and more placements.

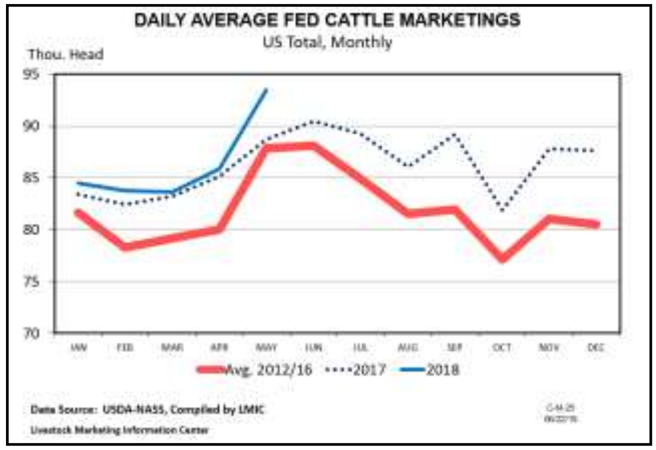
Placements took an interesting twist and were nearly even with a year ago after two months of year-over-year declines. As noted in the Daily Livestock Report on June 21st, larger feeder cattle imports from both Canada and Mexico likely played a role. As well as higher volumes of feeder cattle receipts moving through auctions, direct sales, and video platforms. Higher placements are not expected to continue into the summer, declining seasonally, before increasing again this Fall.

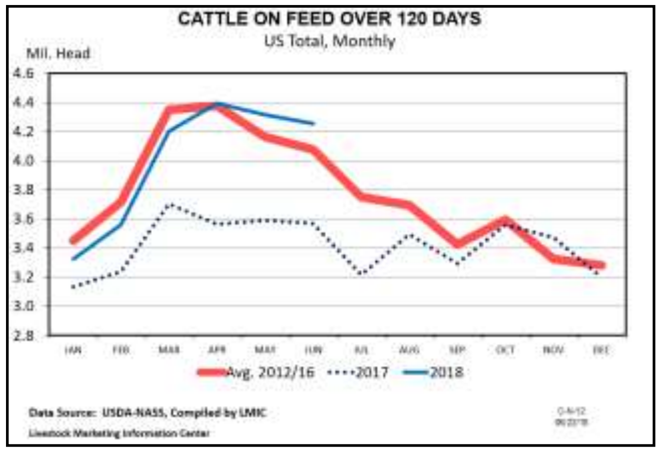
Inventory levels failed to see significant work downs month-over-month. Even with robust marketings, larger placements kept cattle on feed numbers at rather high levels. June started with cattle on feed 104.1% above a year ago, the largest June number since the start of this report (11.6 million head). Placements increased outside Texas and Oklahoma, providing a wider breadth to growing inventory levels than seen earlier in the year. Compared to the month before, placements increased across all weight classes, but compared to a year ago, only the light weight categories posted increases. Cattle on feed over 120 days remain high relative to history and last year but is as expected given the volume of lightweight cattle placed early in the year.

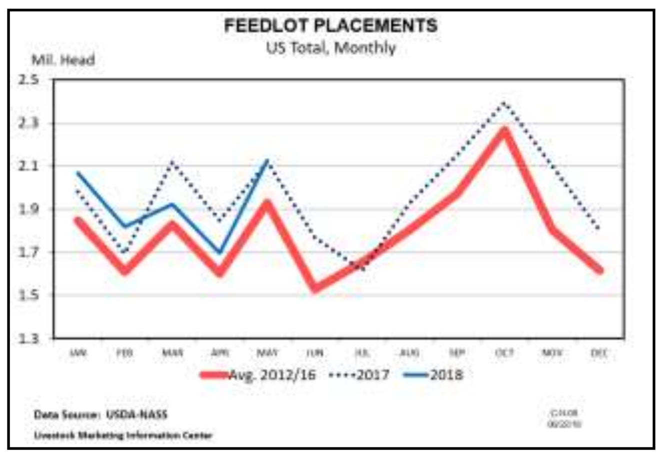
Still, marketings should be seen as a positive sign as feedlots were able to continue to market cattle at a high rate. Head marketed in the month of May was 5.3% above a year ago and was the highest daily average marketings year-over-year increase since September of 2017.

The futures market on Monday reacted sharply, driving the August and October Live Cattle contracts limit down to $102.9 and $106.4 per cwt., respectively. Larger placements in the lighter-weight category should not have generated that type of reaction from fed cattle contracts so close to expiring. Uncertainty rippled through the stock market and all the major indices dropped. Agriculture, in this case, did not escape and was likely also reacting to the ever-changing international trade dynamics and headlines over the weekend.

Packer margins remain high, even though the cutout has fallen relative to a year ago. Feedlot margins, on the other hand, have been deteriorating quickly. Excellent crop rating conditions have moved corn and soybeans lower leading to higher feeder cattle prices on the board. Without adjustments to raise fed cattle prices, it will be difficult to book positive returns in cattle feeding for the near future. High inventories of cattle on-feed provide little incentive to upward movement in prices from the supply side, placing all the flexibility on the demand side to raise prices.







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