

Central Stockyards Market Insights is a new feature containing insights from our team, featuring their perspectives on the fed cattle market based upon conversations with feedyards and national and regional packers. Please enjoy this free commentary!

March 5, 2022

The fed cattle complex is in a transitional period due to ongoing uncertainty and volatility caused by the cumulative effects of inflation, the Ukrainian war, rising oil prices, rising interest rates, and shifting demand. The mixed signals are causing packers to pull back and make fresh assessments about downstream consumer demand.

Our team is seeing a variety of market signals, each with potentially bullish and bearish implications.

Last year, due to drought, Mexico had fewer feed resources and sent more cows and heifers to harvest. The feeder cattle inventory in Mexico was 28% below average.

This year, Mexico has fewer calves combined with an abundance of feed due to rain. These calves are staying to feed in Mexico. In normal years, these are calves that would eventually enter the U.S. beef supply chain.

Chain speeds have been running at a steady pace. Live cattle supplies are entering a tight window. With diminished cash trade and limited market-ready supplies, chain speeds expected to slow. Chain speed will be key in weeks to come. Even though packer margins are not exceptionally large, they are still historically high as we enter the time of year with stronger beef demand and boxed beef pricing power. If feeders continue to shelve cattle, packers may view this as a suitable time to clean their coolers.

Cost of gains are likely headed to record-high levels, so we expect live and carcass weights to decrease. Reduced weights will reduce the beef supply which may provide a pricing floor.

One key to watch are gasoline prices as increasing fuel prices has a direct, negative impact on consumer discretionary income. Combined with other inflationary and geo-political pressures and increasing interest rates, maintaining consumer demand will be a challenge to beef marketers. Fed cattle marketers are closely watching these signals and the impact they could have on fed cattle prices for the balance of 2022.

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