

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 18, 2022

This week's markets retained their "risk-off" posture.

Live cattle futures closed higher on the week with cash trade ranging from mostly \$138, up to \$144 with most of the cash trade occurring at the \$138 to \$140 per cwt price range. Though futures have been on the upswing, cash prices have yet to recover the upward momentum and pricing levels seen prior to the Ukrainian/Russian conflict. Volatility in energies, grains, and equities markets continue to impact live cattle prices.

Open Interest in Live Cattle Futures and Feeder Cattle Futures continues to decrease overall.

Steer weights are up 19 pounds year over year and heifer weights are up 15 pounds year over year. That is the equivalent of half a head of a live animal per load being shipped on every truck. Higher corn prices and higher cost of gains should decrease weights throughout the remainder of the year.

Beef supply domestically continues to be exceptionally large, primarily due to imports.

The U.S. Central Bank announced it will implement a 25 basis-point increase followed by six more increases this year to stop the economy from overheating and combat inflation. This is the first rate increase since 2018. Business and consumer borrowing costs will clearly increase.

Interest rate increases combined with increased energy prices and instability in the grain markets has left much of the world feeling uneasy and cautious.

In the U.S., March feedyard placements are down 28% year-over year and 15% less than 2019 according to CattleFax.

In Australia, fed cattle slaughter is slowing with kills running 8 – 10% lower than 2021. Year-to-date slaughter is the smallest on record.

In Canada, herd liquidation is accelerating. Canadian exports of feeder cattle to the U.S. are up 410% over a year ago and cows destined for slaughter in the U.S. are up 14%. Month-to-date placements into Canadian feedyards are down 30% year over year and shipments from feedyards are down 19% year over year according to CanFax.

There appears to be significant liquidation in the southern U.S., exports of live cattle to Mexico are up significantly over last year at this time and U.S. imports of feeder cattle from Mexico are down 29% compared to last year at this time.

This week crude oil fell from a high of \$136/barrel to less than \$100/barrel and rebounded to \$103/barrel. Some price stability is slowly developing.

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Nationally, cow/calf operators are still dealing with drought but are having a mild calving season thus far. Producers are looking cautiously at the coming hay season and hoping for more moisture and a larger hay crop to maintain herd numbers and remain profitable in the coming year.

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