CENTRAL STOCKYARDS

Market Insights

July 8, 2022

Sale schedule for next week (all sales start at 10:00 AM Central):

- ***Tuesday, July 12***
- ***Wednesday, July 13***
- ***Thursday, July 14***

In a holiday-shortened week, the South traded at mostly \$136 – \$140, \$2 higher than last week. The North traded at mostly \$141 - \$150 live and \$230 - \$238 dressed, steady with last week.

This week's Fed Cattle Exchange saw 3,200 head consigned. For those watching the auction, Thursday proved the value of the Fed Cattle Exchange platform. The platform clearly showed the standoff between packers and feedyards in the South at \$137. When the auction ended, country trade commenced with several sellers telling Central Stockyards that the platform helped provide price discovery for the week.

Nearby Live Cattle contracts were down \$0.65 to \$1.025 for the week and Feeder Cattle ended lower on the week by \$2.775 to \$2.925. Basis management will remain a priority for feedyards that are hedgers for the foreseeable future. The 10- and 2-year treasury rates inverted this week for the second time since April 2022. This is the single best predictor of a recession occurring within the next six months though many economists believe we are already in a recession and are just waiting for GDP reports to verify their assessments.

Looking ahead to the balance of the summer, we see a mixed bag of developments which could impact the fed cattle trade:

- The historically large north-south fed cattle price spread should continue for the short-term. While the magnitude of the price spread may decrease slightly, we believe the north-south spread could remain significant given current market dynamics, such as choice-select spread, prime premium, available supply, etc., between northern and southern feeders and packers. Southern fed cattle numbers have shown indications of reaching their peak and perhaps declining going forward while Northern availability of fed cattle has demonstrated that perhaps they have reached their lows and will begin to climb going forward.

- Ongoing drought is causing all input prices to increase, bringing lighter cattle into feedyards and providing ample slaughter cow supplies. Supplies of calves and feeder cattle should be tighter than normal in the most heavily affected areas by the drought.

- Short-term oil price decreases will provide small relief for anyone shipping cattle or grains. Some are viewing these price dips as an opportunity to hedge fuel prices for the fall and into the winter, expecting demand and prices for oil and other energy products to increase as cold weather arrives.

- Consumers will continue to feel the direct impact of inflationary pressure. The good news is that unemployment remains low.

At Central Stockyards, our team is focused on serving our buyers and sellers to help each of them navigate these market dynamics to best suit their business goals.

We invite all feedyards to list cattle with Central Stockyards. Whether your feedyard sells on a live basis, negotiated grid, or other marketing method, our Fed Cattle Exchange platform presents your cattle to major and regional packers. If you are interested in transparent, real-time price discovery, we invite you to list a few pens and see how we can help you. Contact us today for more information.

Central Stockyards Team

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