

May 5, 2023

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

- **Tuesday, May 9**
- **Wednesday, May 10**
- **Thursday, May 11**
- **Friday, May 12 depending upon market conditions and buyer/seller feedback.**

The Fed Cattle Exchange listed 3,520 head for the week. Reserve prices started the week up to \$175 and bids began at mostly \$172. High bid for the week was \$174 and reserve prices remained mostly unchanged for the full week. Tuesday and Wednesday's sales saw 458 head sell from Texas at \$172.

Cash trade in the North was mostly \$176 live and \$281 dressed while Southern trade was mostly \$172, all \$1 – 4 lower than last week.

Live Cattle futures were down \$3 – 4 for the week while Feeder Cattle futures fell \$7. The Feeder Cattle Index was steady for the week.

This week, the Federal Reserve issued its 10th consecutive rate hike since March 2022, pushing the federal funds rate to a target range between 5% and 5.25%, the highest level since 2007. The cumulative impact of interest rate increases is significant and has a real impact on margins throughout the supply chain. As an example, on a financed fed steer, the interest rate changes have added \$25 – 40 per head just for the feeding segment. If you apply the interest rate changes to upstream segments, the total interest charges approach \$75 per head.

For risk managers, addressing duration risk for interest rates to a hedging program is complex and difficult to implement after interest rates have increased. While the recent major cattle feeding bankruptcies are based upon fraud, it is clear that the fraud was probably easier to conduct when interest rates were lower.

As we approach seasonal lows in carcass weights, we are reminded that the supply chain has been able to absorb the interest rate increases because the consumer has remained resilient and overall beef supplies have been seasonally low. As carcass weights increase and additional supply becomes available, the resulting margin compression, combined with higher interest rates, will challenge anyone in the supply chain who is reliant upon financing to conduct their business.

We welcome your feedback and suggestions on how to continue improving the Fed Cattle Exchange and its role in providing price discovery to the cattle industry.

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

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price discovery, we invite you to list a few pens and see how we can help you. Contact us today for more information.

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