Watch Cattle Weight Variability

Lee L. Schulz

Iowa State University, lschulz@iastate.edu

Follow this and additional works at: http://lib.dr.iastate.edu/econ_las_pubs

Part of the Agricultural and Resource Economics Commons, Meat Science Commons, and the Other Economics Commons

The complete bibliographic information for this item can be found at http://lib.dr.iastate.edu/econ_las_pubs/466. For information on how to cite this item, please visit http://lib.dr.iastate.edu/howtocite.html.
Watch cattle weight variability

By Lee Schulz

Analysts routinely use USDA estimates of feedlot placements by weight groups to project timing of fed cattle marketings. Expected slaughter numbers can help improve fed cattle price forecasts and marketing strategies. However, recent variability in placement weights amplifies the uncertainty about the current and coming fed cattle market.

For several months, monthly feedlot placements have tended to swing between larger proportions of lightweight cattle (less than 600 pounds) and placements of heavy feeders (over 800 pounds), often with fewer cattle in the traditional feeder placement weight categories of 600 to 800 pounds. Furthermore, the “tails” of the placement weight distribution add to the difficulty in determining the timing of fed cattle production because of what exists to estimate the average weight in the category, especially for heavy feeders.

July placements included 40.1% of cattle over 800 pounds, the third-highest monthly level for that category since 1996. Only April and May 2015 were higher. January through July placements of 800-plus-pound cattle averaged 38.1% of the total placements, compared to 33.4% for the same period in 2014.

A 12-month moving average of placements by weight category confirms that placements of 800-plus pound feeder cattle are currently at a record level. The average weight of this group could vary from just over 800 pounds to over 900 pounds and change the timing of fed cattle marketings by more than a month.

Feedlots still have additional production incentives to feed cattle longer and to heavier weights. Limited feeder cattle supplies, near record-high feeder cattle prices and lower feed costs all encourage feedlots to feed longer. Doing so keeps feedlot inventories higher relative to production. In response to higher beef prices, packers have been content to push slaughter cattle to heavier weights.

Analysts often use measures of “currentness” to assess if feedlots are marketing cattle on a timely basis or feeding them longer. In 2015, marketings as a percent of feedlot inventories are about 15.6% compared to 16.6% for the same period last year. Less current cattle marketings generally are negative to market prices.

Efficiency vs. production tonnage

In pursuing market incentives to delay fed cattle marketings and push cattle to heavier weights, feedlots suffer deteriorating performance on cattle currently in the feedlot, but delay the big cash outlay to buy pricey feeder cattle to place. For several months, data from Kansas State University’s Focus on Feedlots have shown that average daily gains are lower year over year and feed conversions are higher; both expected outcomes of feeding heavier cattle longer.

As a result, feedlot cost of gain has not retreated as much as lower corn prices would suggest because lower performance is offsetting some of the cheaper feed cost. This suggests there is a limit to how far feedlots can push fed cattle weights. It also suggests that the incentive could change abruptly if feed prices were to spike.

Another factor impacting both the level and timing of beef production is the relative role of dairy cattle in total feedlot production. Declining beef cattle inventories and declining veal slaughter (most of which is dairy calves) mean that dairy animals accounted for an increased share of the 2014 calf crop. Dairy calves are typically placed on feed at very light weights and stay in feedlots up to a year.

This means relatively large numbers of dairy calves are impacting fed cattle markets in 2015. The Livestock Marketing Information Center estimates an additional 206,000 head of dairy calves will enter feedlots in 2015.

Schulz is the Iowa State University Extension livestock economist. Contact him at lschulz@iastate.edu.

Risk management at your fingertips

By Willie Vogt

As harvest wraps up for wheat and gets rolling for corn and soybeans, marketing information takes on greater importance. At FarmProgress.com our Web developers have taken marketing information and packaged it for easy viewing by crop so you can see trends.

The charts available are based on time-delayed (15 minutes on average) market data and offer you quick trend information to help guide decision-making. It won’t take the place of your trusted market adviser, but it does offer quick insight when you’re in the cab of your combine.

That market data is augmented by market commentary by our two experts from Farm Futures, Bryce Knorr and Bob Burgdorfer. They provide you with perspective about what factors are shaping the market and offer tactics for your operation.

As you bring in this year’s harvest, keep up on price movements with the risk management tools we offer.

A little comment?

Every item produced online by the editorial team offers you the chance to comment. You have to register to comment — a common practice on the Internet these days — and we welcome your feedback. Those comments offer us insight into how we can offer you better coverage. If there’s something we can improve on, let us know. Your input matters.

To send a comment or idea my way, just email me at willie.vogt@penton.com.

Beginning farmers guide

“RESOURCE Guide for Beginning Farmers” offers training resources on everything from soil and composting to small farm equipment and whole-farm planning, including information on food safety and seed saving.

It’s available from the Iowa State University Extension and Outreach Online Store or the Leopold Center for Sustainable Agriculture website. The 48-page guide is divided into three parts: production practices, postharvest handling, and business planning and basic farm finances. Each has modules covering different topics and is organized by learning objectives and includes a narrative, hands-on activities, and links to worksheets and additional resources. For information, visit FarmProgress.com under “Web Exclusives.”