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June 1 cattle on feed inventories in feedlots with capacities of 1,000 head or greater were up 2% from a year earlier, according to the USDA-National Agricultural Statistical Service (NASS) in a report was released last Friday. This was the highest June 1 inventory since this data series began in 1996. The 2% increase was at the high end of industry expectations. The live cattle futures contract for August delivery moved slightly lower on Monday, testing but finding support near contract lows established prior to release of the report.

Placements of cattle into feedlots and cattle marketed from feedlots in May were both within the range of industry expectations, albeit at the upper end. The marketing rate for inventories on feed over 120 days on May 1 was not heroic but was good enough to bring down June 1 inventories on feed over 120 days to the same level as a year ago. The $8 dive in the June live cattle futures contract during May could have, at least partially, been driven by the surplus of 120 day inventories on April 1 (which was not reported until April 18 in the USDA-NASS monthly Cattle on Feed report). This was the largest inventory of cattle on feed 120 days or longer since May 1, 2012. In 2012, the June live cattle futures dropped $8 during April followed by a $2 bounce in May. The biggest decline in June live cattle futures during May, prior to this year, was 2011; a $9 drop.

Placements of cattle into feedlots during May fell short of a year earlier by 3%. All of the decline was accounted for by cattle weighing less than 700 pounds as cattle placed at weights heavier than 700 pounds increased by 4% from the prior May. The secular trend in the industry towards bigger calves weaned at heavier weights underlies the move in bigger cattle going into feedlots. There is also a trend in the seasonality of feedlot placements, with a larger percentage of the calf crop being placed early in the year. In the prior decade, on average, 24% of the prior year's calf crop was placed in feedlots from January to May. The last three years have seen that percentage hold at 27%. This amounts to a million more cattle going into feedlots from January to May than was seen ten years ago.