

February 11, 2019

In The Cattle Markets

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Feeder Cattle Prices Discounted to Fed

Fed cattle and boxed beef cutout values entered 2019 and have stayed at levels similar to or better than last year. Fed cattle prices are about \$124 with last year being close to \$126 at this time – this is about 2% weaker. The cutout value is currently close to \$217 and was \$209 last year – this is 4% stronger. FI slaughter is up better than 5% compared to last year when slaughter weights appear to off almost a percentage point. The wet winter weather in enter cattle feeding region, from the upper Midwest and all the way south through the southern plains will hold weights down and likely create some variability in finishing times. Regardless, beef and slaughter prices are holding strong through this first two-month window into the year.

Feeder cattle and the both live and feeder futures offer some warnings as to likely spring and summer events. 500-600 pound steers are trading \$160-\$170 in the southern plains – and the strength has been only during this last week. This is \$5-15/cwt lower than last year. 700-800 pound animals are trading around the \$140 price level. This is about \$10/cwt lower than last year. The two nearby futures contracts show the strongest market prices for the year. February and April are both better than \$127. The deferred contracts show a substantial discount. June is trading for a full \$10/cwt less and August is another \$3.50/cwt lower. Thus, the weak cash feeder cattle prices. The current feeder cattle cash and futures prices and the deferred live cattle futures prices suggest strong concerns about the coming summer. The lack of a USDA NASS Cattle of Feed report for January is a problem. But the situation is reasonably similar to last year. We are starting the year expecting big supplies of beef through the summer and it will take surprise good news to optimism. The solid domestic demand and demand due to international trade in protein is, for me, much less of a given this year. And I have concerns about expanding showlists and slaughter weights with potential delayed marketings and longer feeding periods through this winter.

The Markets

What do the technical say? February through October live cattle futures show strong upward trends with resistance levels repeatedly broken and the trend holding whenever tested. These charts will for sure show up in extension talks and lectures. The more deferred contracts are sitting closer to resistance levels whereas nearby contracts have marched through and into higher prices. Live cattle contracts remain a strong bullish market. I am watching the trend lines closely. Hold long positions and wait for uptrends to be broken. These would be sell signals: reduce long positions and/or establish short positions. The spring and fall groups of feeder cattle contracts do not show similar strength. There is not enough trading history in the fall contracts to do technicals. The spring contracts weakened through last October removing any trend and most contracts are trading \$140-\$150. Opportune places to trade feeder cattle

and certainly not as technically clear as live cattle. Watch the live trends and the feeder support and resistance levels. And the winter weather conditions.

<i>Data Source: USDA-AMS Market News</i>		Week of 2/8/19	Week of 2/1/19	Week of 2/9/18
5-Area Fed Steer	all grades, live weight, \$/cwt	\$124.98	\$123.87	\$126.15
	all grades, dressed weight, \$/cwt	\$199.88	\$198.34	\$200.30
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$216.86	\$216.65	\$208.46
	Choice-Select Spread, \$/cwt	\$4.54	\$4.00	\$5.14
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$139.65	\$140.79	\$147.15
	Nebraska 7-market, \$/cwt	\$150.72	\$149.44	\$155.00
	Oklahoma 8-market, \$/cwt	\$140.83	\$140.86	\$149.69
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$177.71	\$177.16	\$177.28
	Nebraska 7-market, \$/cwt	\$184.33	\$182.74	\$195.61
	Oklahoma 8-market, \$/cwt	\$170.06	\$169.82	\$175.92
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.64	\$3.64	\$3.47
	DDGS, Nebraska, \$/ton	\$142.50	\$147.00	\$151.00