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## In The Cattle Markets

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### Seasonal Weakness Anticipated

Fed cattle, calf, and beef prices have been strong through the spring and early summer. Domestic demand and product movement from featuring was excellent. And even trade volumes were strong relative to the prior year. However, recent weeks have seen carcass values backed off of \$250/cwt levels by over 20%. Larger marketings of fed cattle will happen and fall run of the calves will start early due to dry weather in the north plains states. What are some likely market drivers as we move into late summer?

USDA Cattle on Feed reports have shown heavy relative-to-prior-year placements since March. Placements over this four month span have been 11-16% above the prior year. Heavier marketings were observed in June and these will continue well through October. The seasonal increase in slaughter weights is underway albeit starting, and luckily, 20-30 pounds behind last year. Current carcass weights are 12-13 pounds, or about 1.5%, behind last year. Calculations of the inventory of cattle on feed >90 days and >120 days show the volume coming and what the market will have to address this late summer and early fall. Both of these calculated inventories are well below last year communicating that marketings have been timely to aggressive through summer. This will continue to hold some strength in fed cattle prices. However, the inventory of animals on feed >120 days dropped sharply while the inventory >90 increased sharply. Showlists are clean but very big numbers are coming. Marketings through August and September will determine market price dynamics from October into next year. With strong marketings then prices will just soften through the fall. While if there is any slowdown in marketings for the next two months and if showlists become abundant then prices will move down sharply. There is considerable downside risk for cattle and beef markets and the cattle side especially.

However, the futures are price appropriately – October live cattle is at a discount to August – to show market participants that this is coming. And prices in general have been stronger than originally forecast. Domestic demand is likely not as strong as in the spring with the elevated featuring that was done. But the world economy continues to post good news and trade volumes are surprisingly strong. There was some evidence in the spring that this was policy-trade-related just-in-case buying. But it continues to persist and therefore has some fundamental justification. But in the end, potential bullish news is hard to find.

What do the technical say? The sharp up-moves seen in live and feeder cattle contracts during the spring have stopped and are unlikely to continue. Resistance was established in early May for all summer and fall contracts. This resistance was tested and held in early June and then again in mid-July. Any up trend that you can identify from the spring moves is broken. Thus, seasonal weakness into the fall is in the cards on the charts. I advocated that producers establish some price protection in my prior two contributions to this newsletter. Those that did so should be comfortable. And my recommendations have not changed.

## The Markets

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 8/4/17</b>	<b>Week of 7/28/17</b>	<b>Week of 8/5/16</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$117.30	\$117.16	\$118.92
	all grades, dressed weight, \$/cwt	\$187.36	\$187.48	\$187.82
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$205.00	\$206.96	\$198.71
	Choice-Select Spread, \$/cwt	\$7.27	\$9.33	\$7.83
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	\$151.00	--
	Nebraska 7-market, \$/cwt	\$169.89	\$164.68	\$153.10
	Oklahoma 8-market, \$/cwt	\$151.96	\$150.07	\$150.03
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$186.50	\$181.91	\$170.00
	Oklahoma 8-market, \$/cwt	\$162.92	\$163.13	\$155.10
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.29	\$3.38	\$2.97
	DDGS, Nebraska, \$/ton	\$109.00	\$105.50	\$120.00