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## **In The Cattle Markets**

**Stephen R Koontz**

**Agricultural and Resource Economics, Colorado State University**

### **Strong Trade Numbers and Good Technicals**

The market fundamentals news released last week was excellent for all the meat production sectors. The USDA released meat and poultry trade data last week for the month of January. The main conclusion from the information is that exports were stronger and imports were weaker. And this is in the face of a continuing strong dollar. The U.S. dollar did not strengthen appreciably in January but did rally to two-year highs during the last half of 2016. This is likely when the export sales occurred. The relatively low meat prices – as opposed to any dollar incentive – are creating exports opportunities and limited economic incentive to import.

During the month of January, U.S. beef export tonnage was up 21% year-over-year. Beef exports are rather seasonal and usually peak in July. However, last year exports strengthened almost every month and finished the year at monthly well above those of the summer. This year started very strong compared to prior January but not to December. The seasonal pattern appears to be returning. Exports were the largest since the early 2000s. Year-over-year, exports were up 41% for both Japan and Mexico, followed by 38% for South Korea, and 10.5% for Canada. Increases greater than 10% were seen for exports to the major destinations of Vietnam and Taiwan. Further, for January, beef import tonnage continued its relative decline. Imports were steady compared to December and down 25% compare to the prior year's January. Imports from Australia accounted for most of the decrease and were down 47% compared to the prior year.

The 2016 and January 2017 information communicates that price drives trade and not the reverse – it is not trade or specifically imports that drive meat prices lower. Low cattle, beef, and other protein prices drive exports and it is not imports that are the cause of the low prices. It's in the data.

And the news is not just specific to cattle and beef markets. The trade data show strong export and weak import performance for pork and poultry. Why should readers of, "In the Cattle Markets" care? Exported protein does not weigh on domestic markets. Exported pork and poultry is not consumed in the U.S. where increased supplies of both would necessitate lower price for both and for beef through a substitution effect. Pork exports were 20% higher than the prior year. Mexico and South Korea drove those gains with 36% and 34% increases. And exports to Japan were up 6%. Also during January, pork imports off 14% from the prior year. For poultry, exports increased 12% compared to the prior year. January was strong and is typically a weaker month. Another underlying story is that poultry exports were very broad based.

All in all, the export and import perspective is very solid news for U.S. protein producers and for cattle and beef producers.

What do the technical say? There continues to be bullish news here. The long-term down trends seen on most weekly live and feeder cattle charts are clearly pressured. They are not solidly broken but have been pressured through March. Daily charts show strong rallies off the October-November lows. There were very modest corrections during January and February following these rallies. But during March most of the contracts are no longer correcting and are instead approaching January's highs. The technical communicate that the collapse of 2015-16 is over. Technical patterns for 2017 will likely be sideways as the herd expansion and trade dynamics manifest.

## The Markets

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 3/10/17</b>	<b>Week of 3/3/17</b>	<b>Week of 3/11/16</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$125.23	\$124.76	\$137.93
	all grades, dressed weight, \$/cwt	\$201.56	\$199.98	\$219.92
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$214.12	\$205.86	\$222.96
	Choice-Select Spread, \$/cwt	\$6.86	\$4.05	\$8.78
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$128.72	\$132.02	\$157.23
	Nebraska 7-market, \$/cwt	\$137.65	\$134.31	\$167.39
	Oklahoma 8-market, \$/cwt	\$130.99	\$128.80	\$158.93
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$161.32	\$160.84	\$200.61
	Nebraska 7-market, \$/cwt	\$165.53	\$167.68	\$209.57
	Oklahoma 8-market, \$/cwt	\$157.99	\$156.63	\$196.29
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.23	\$3.38	\$3.47
	DDGS, Nebraska, \$/ton	\$97.00	\$100.00	\$132.50