

In The Cattle Markets

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Spring is Here

After languishing for weeks at about \$114 per cwt the fed cattle market has sprung to life. Fed cattle prices hit \$123-124 in more Northern regions and closed the week at \$121 in the Southern Plains. From 2015-2019 the seasonal price increase has been about \$6 per cwt, or 4.3 percent. Prices dipped as low as \$109 in late January making this seasonal run larger than normal, so far.

Surging demand, and expectations of demand continue to drive prices higher. The Choice beef cutout ended the week of April 9th at \$272 per cwt, up \$20 from the week before. Select beef is in on rally also, ending the week at \$264 per cwt. The Choice-Select spread is about on par with the 5 year average.

It's worth remembering that prior to the pandemic, beef demand had been on several good years of strength. A growing economy, falling unemployment, and consumer preferences trending towards higher USDA quality grade beef were building demand. 2020 did not slow beef demand, even with the increase in unemployment. The retail all fresh beef demand index scored a 119 for 2020, the best in 20 years. Now, that index is calculated using per capita consumption (we still ate beef even though much more was grocery purchases rather than restaurants) and USDA, BLS retail prices which only reflect grocery store prices, but regardless it suggests that we exit the pandemic with a strong base of beef demand.

As of this writing, we are seven weeks out from Memorial Day. This big grilling holiday kicking off Summer combined with pent-up demand from pandemic closures promises to boost prices. One macroeconomic statistic that I find interesting is Personal Savings as a Percent of Disposable Personal Income. Prior to the pandemic, since 2011, savings had averaged about 7 percent. When widespread shutdowns hit in the second quarter 2020, GDP fell 9 percent. With no place to go to spend, savings skyrocketed to 26 percent. While they have since declined to 13 percent, that is a lot of money for folks to spend to fund some pent-up demand fun. Economic reopening combined with people spending and tighter beef supplies later in the year should suggest some optimism.

Not to forget the supply side of the market, beef production in March was slightly below March of 2020, which was right before Covid shutdowns hit packing plants. As expected, for the last 6 weeks we are producing more beef than last year, and for a better comparison even more than in 2019. Steer and heifer dressed weights have not recovered from winter storm Uri and being equal to a year ago have kept production in check.

The Markets

The Choice beef cutout increased about \$20 per cwt from Friday to Friday, closing the week at about \$272 per cwt. Fed cattle prices jumped as well with some selling at \$124. Local country auctions were steady to higher for the week. While there have been some spring-time storm fronts coming through, the drought monitor map shows that most of Texas is in some form of drought.

<i>Data Source: USDA-AMS Market News</i>		Week of 4/9/21	Week of 4/2/21	Week of 4/10/20
5-Area Fed Steer	all grades, live weight, \$/cwt	\$122.01	\$118.08	\$105.00
	all grades, dressed weight, \$/cwt	\$195.30	\$189.36	\$168.00
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$266.08	\$246.86	\$225.37
	Choice-Select Spread, \$/cwt	\$9.23	\$7.22	\$13.28
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$140.00	\$150.31	\$128.14
	Nebraska 7-market, \$/cwt	\$155.64	\$147.86	\$124.79
	Oklahoma 8-market, \$/cwt	\$144.87	\$142.57	\$120.83
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$177.24	\$187.05	\$161.30
	Nebraska 7-market, \$/cwt	\$183.95	\$179.61	\$161.44
	Oklahoma 8-market, \$/cwt	\$173.40	\$168.87	\$150.36
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$5.79	\$5.59	\$3.13
	DDGS, Nebraska, \$/ton	\$210.00	\$225.00	\$212.50