

In The Cattle Markets

Stephen R. Koontz

Department of Agricultural and Resource Economics, Colorado State University

Fall Run and Weather

The fall run of calves is here and impacts of weather conditions is being seen. Larger volumes of smaller animals are being marketed in northern and western regions of the country. These are areas most impacted by drought and with limited forage. Marketings in the south and east have been slower as, with the exception of high temperatures, weather conditions have been more favorable for animal growth. Weather is and will clearly play a role as to the timing and availability of calf numbers. And will also impact the distribution of calf weight. There is the potential for an interesting dynamic between regional calf marketings and weights and then the resulting placement into feedlots which may bunch marketing of fed animals well into next year. There are also interesting opportunities for retaining calves across the different regions. All are worth following.

Weather is also impacting availability of heifers. There is modest evidence of heifers being sold into the meat supply chain and opposed to being used as replacements into the beef production system. This is especially the case in the north and west. Whereas in the south and east there is very modest evidence – supported by discussions with producers – about retaining and actual purchasing of heifers. The regional dynamics will likely play out well into next year as the late summer saw only some drought relief for the southern plains and desert southwest.

A study of the Drought Monitor, AMS feeder market information, and a variety of regional hay prices tells the story. D3 and D4 extend across the northern plains and mountain west. The National Feeder and Stocker Cattle Summary – released weekly – communicates some of the subtlety of the regional dynamics. Year on year comparisons is problematic around holiday weeks but the general trends come through in the late summer reports. The feed market reinforces this assessment. \$100 per ton corn stalks is not a good sign for cow/calf producers, in September, and there are a few places where this is happening. California and Oregon hay prices are over \$200 per ton for what is traded, with some is approaching \$300 per ton. Prices decline moving east and south with many markets with cow hay well below \$100 per ton. Colorado appears to be on a bit of a dividing line in terms of price – west slope prices are strong relative to eastern plains – and there is considerable interest, demand, and volumes traded compared with availability. And the weather outlook offers no clear relief.

The Markets

What do the technicals say? The down moves in live cattle for the prior week and a half and the sympathy in feeder cattle for the last three days have broken the clear up trends in these markets. This is a sell signal. Technically, the optimism that these markets have shown since

last May has been broken or is simply exhausted. The drift higher that live and feeder cattle contracts have shown for the last four months achieved levels which the market is not able to hold – these price levels have produced substantial selling pressure and the resulting sell signals. While I don't see the market moving lower, I do believe the optimism of higher prices has run its course. The prices are not at support or have not established support indicating the down move has slowed or stopped. This is not the case. This is at least through the seasonally strong supplies of fed cattle in October and through the fall run of calves.

<i>Data Source: USDA-AMS Market News</i>		Week of 9/3/21	Week of 8/27/21	Week of 9/4/20
5-Area Fed Steer	all grades, live weight, \$/cwt	\$125.61	\$125.74	\$103.12
	all grades, dressed weight, \$/cwt	\$201.79	\$204.45	\$163.07
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$339.54	\$347.02	\$227.39
	Choice-Select Spread, \$/cwt	\$31.29	\$29.60	\$14.25
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$167.51	\$169.41	\$146.92
	Nebraska 7-market, \$/cwt	\$167.75	\$167.61	\$150.91
	Oklahoma 8-market, \$/cwt	\$157.49	\$157.52	\$138.72
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$186.60	\$183.72	\$167.51
	Oklahoma 8-market, \$/cwt	\$170.63	\$167.17	\$152.75
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$5.86	\$6.28	\$3.36
	DDGS, Nebraska, \$/ton	\$212.50	\$212.50	\$153.50