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## **In The Cattle Markets**

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### **Continued Weaker Cattle and Beef Prices**

There are a couple of things that have happened in cattle and beef markets across the last two weeks that need to have attention called to. First, the boxed beef cutout value moved well below \$2 per pound last week. It has been sometime since this price level has occurred. Occasionally this fall the beef products that make up the composite have traded at levels where the combined level has dipped below \$2 per pound. But last week the value was approximately \$1.85 with October yet to come. Second, during the week of September 6 the live cattle futures prices for October and December contracts traded for several days below \$1 per pound and November feeder cattle contract traded below \$1.25. It is safe to say that it will likely be some time before the market prices for cattle and beef return to the levels seen from 2012-2014. The shocks to the commodity system that occurred in 2007 and then again from 2009-2013 appear to have played out. This is good news for consumers, food service providers and restaurant establishments. These levels also require cattle producers reevaluate long-term plans.

In that last context, what next? Where's the good news for producers? I believe we are in that phase of price adjustments where things look the worst and the potential for market change is most likely. Saturday beef slaughter numbers continue to be the highest in recent years. The Saturday volumes have been strong. Beef production is up but the lower prices are clearly encouraging product movement. Hamburger products and end meat cuts are showing the most price weakness. But the middle meats are not immune – loin cuts have moved progressively lower through the summer. Domestic demand has showed some weakness but the evidence is not substantial. Lower prices are resulting moving volumes and clearly the heavy showlists that has persisted since last year. Further, the lower prices are translating into reasonably good beef export figures. July's numbers were solid without much help from a cheaper dollar. Retail beef price showed is largest decrease in years with last month's reported price and this is a price level that includes none of the discounts from retail featuring. Retailers – and packers – are and will likely command very solid beef margins, possibly, well into next year.

Finally, fed heifer slaughter is sharply higher through the summer. The majority of increased beef production is from fed heifers. The weekly figures for August and September 2016 are 20-30 thousand head per week higher than 2015. Expansion has likely not stopped but will prove to be lower than initial forecasts and appears unlikely to continue substantially into 2017. I don't foresee fall of 2017 being more of 2016. And that is a long way off with the markets we've had to discuss the last two years.

What do the technical say? Mainly, it's, "My, that's a big corn crop." The discussion last week in this column of feedlot profitability was timely and useful. DEC16 corn has rallied off support but the down trend in holding. I expect more down moves. And it appears cash basis agrees – very weak basis is shaping up for corn before much is harvested. The technicals for live and feeder cattle are exactly the same as corn. Support plains established in August

where soundly broken in September. The markets have rallied since these down moves and established new support. But down trends remain in place and more down moves are likely to continue. I will be watching the Cattle on Feed report Friday be most interested in the calculated market ready inventories. Do the showlist inventories continue to tighten with strong slaughter volumes? Or do the potential for heavier volumes hang over the market?

### The Markets

The five area fed steer price ended the week averaging \$109.36 per cwt. for live sales, up a solid \$4.00 from the previous week. Corn was down \$0.09 per bushel compared to the previous week.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 9/16/16</b>	<b>Week of 9/9/16</b>	<b>Week of 9/18/15</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$109.36	\$105.02	\$134.93
	all grades, dressed weight, \$/cwt	\$169.89	\$166.25	\$212.63
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$186.48	\$189.49	\$231.77
	Choice-Select Spread, \$/cwt	\$6.47	\$5.72	\$8.43
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$133.80	\$131.69	\$202.42
	Nebraska 7-market, \$/cwt	\$145.81	\$139.65	\$204.94
	Oklahoma 8-market, \$/cwt	\$137.04	\$133.30	\$200.03
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$133.35	\$132.32	\$218.67
	Nebraska 7-market, \$/cwt	\$154.97	\$152.75	\$242.73
	Oklahoma 8-market, \$/cwt	\$136.21	\$141.44	\$225.26
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$2.97	\$3.05	\$3.55
	DDGS, Nebraska, \$/ton	\$120.50	\$115.00	\$135.10