

In The Cattle Markets

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Fall Run of Calves

The fall run of calves is in full swing and portions of that market are exhibiting weakness. The most notable is between small calves relative to larger feeder cattle. Cash prices for 7-8 weight feeder animals have improved for much of the summer off lows established in the teeth of the pandemic – during April. Fall prices have the potential to be some of the best for the year. Prices are close to \$145/cwt, off from the peak in August of close to \$150/cwt, but much improved from the \$120 from April. However, cash prices for 4-5 weight animals remain comparable to this spring. Prices are in the high \$160s and that is similar to the mid-\$160s of April and May. Basis for these lightweight animals is soft and the market is rather clearly communicating, for producers who can feed calves for another month or two, that delaying marketing should be considered.

Of course, the fall run in the western U.S., is in full swing in part because of drought conditions. I made this recommendation to a group of producers recently and they were none too pleased with it. They clearly communicated that they had been feeding hay for much of the summer and were for the rest of the fall and winter only going to continue to only feed cows. And fewer cows. Many of the Coloradoans that I have spoke to are not specially looking forward to winter but are certainly looking forward to less dangerous forest fire conditions. Beef cow slaughter is not higher through this fall as of yet, but this is a market condition worth watching through the remainder of 2020. Similarly, forage prices are not higher in the western U.S. either, with the exception of dairy quality hay, but supplies of beef cow quality hay were abundant at the beginning of the forage year. I continue to expect to see beef cow liquidation be more substantial in the fall and I expect to see stronger western forage prices. And this is before any discussion of recent higher corn prices. The next two months for all are key.

The COVID impacts on the fed cattle market continue to almost have entirely run their course. Marketings have been reasonably strong. The number of long-fed cattle are down off their peaks in June and high inventories in the surrounding months of May and July. On September 1, the inventory of cattle on feed over 120 days was the same as a year ago in 2019. I had expected that to take another month or three. On the other hand, placements were aggressive in July and August, but these animals will not weight on the market until the end of 2020 or beginning of 2021. The single remaining factor weighing on the market now are carcass weights. Steer carcass wights are about 25 pounds heavier, heifers are only about 10 pounds, but both of those gaps are shrinking. The train-wreck from April continues to be further and further behind us.

The Markets

What do the technicals say? For live cattle, the technical situation remains bullish but is showing signs of turning. There is an internal uptrend in place and the market is at resistance. The trend is again a bit steep so starting the trend lines at a date after lows from early April are reasonable. The current market is bracketed between the trend line and resistance – one of the two has to break. If the resistance is broken then that is a buy signal and if the trend is broken then that is a sell signal. The technical situation is not the same for feeder cattle. The uptrend has been broken and resistance has held. This market is reflecting the higher feeding costs likely into next year. We will need specific improvement in beef market fundamentals to see continued strength on the technical side for feeder cattle.

<i>Data Source: USDA-AMS Market News</i>		Week of 10/2/20	Week of 9/25/20	Week of 10/4/19
5-Area Fed Steer	all grades, live weight, \$/cwt	\$107.12	\$105.05	\$107.34
	all grades, dressed weight, \$/cwt	\$167.70	\$164.89	\$169.80
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$218.10	\$216.87	\$212.58
	Choice-Select Spread, \$/cwt	\$10.86	\$9.98	\$25.94
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$149.71	\$148.78	--
	Nebraska 7-market, \$/cwt	\$151.95	\$152.04	\$157.69
	Oklahoma 8-market, \$/cwt	\$140.81	\$141.16	\$147.45
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$156.98	--
	Nebraska 7-market, \$/cwt	\$163.36	\$166.08	\$164.17
	Oklahoma 8-market, \$/cwt	\$148.21	\$147.22	\$150.90
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.68	\$3.52	\$3.76
	DDGS, Nebraska, \$/ton	\$158.50	\$159.50	\$146.00