

November 19, 2018

In The Cattle Markets

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Meat Supply Concerns into 2019

The fall run of feeder cattle is set to be essentially complete. The market will receive information on October placements and marketings this Wednesday. USDA AMS reports suggest the volumes of feeder cattle were slightly above the prior year. Likewise, weekly slaughter volumes suggest the total of steers and heifers will be reasonably strong compared to the prior year. Regardless of the outcome, the cattle and beef markets are entering into that time of year with continued large slaughter volumes and the heaviest slaughter weights. The hog and pork markets do the same. Thus, it is likely that the following weeks will see continued strong volumes of red meats, in the week with considerable focus on turkey.

Fed cattle and feeder cattle prices have remained at close to highs for the year. While boxed beef composite values and the choice/select spread have also remained strong. The underlying fundamentals are a bit of a mixed bag of bullish and bearish news. With the major suggesting lower prices ahead. The main concerns are the prospective marketings of heavy placements during July and August. The number of cattle on feed over 120 days on October 1 was substantially higher than the prior year and marketings/slaughter in October and November so far have not been enough to pull that inventory down. Fourth quarter volumes of beef – and for that matter pork – will be the highest for the year. But beef prices remain strong at the retail level while retail and packer margins remain excellent. Saturday slaughter volumes remain high. And there is just no bad news to be found with respect to beef exports.

Repeating what I said last newsletter, a lot has gone right for fed cattle, and calf, prices to remain strong and even improve. But, in the end, there remains considerable potential downside risk. It will be interesting to see if, and then the extent, the discounts of poultry and pork prices compared to beef will have an impact on beef trade into the last month of the year.

What do the technicals say? All live cattle contracts are off the highs established in October and the first couple of days in November. The rally in September was a bit excessive. Any uptrends drawn after the rally are broken which is a sell signal. Most contracts suggest that prices are in a correction phase and if that is the case then prices will move lower. The outside day with a strong close on 11/13 across contracts suggests otherwise. The next few days will tell if the market is to drift sideways or move lower. Look for fundamentals to confirm that position. Feeder cattle charts are considerably more bearish. All contracts have moved down the months of October and November. The speed of the moves lower suggests a correct is possible but that will be difficult without stronger live cattle prices. Again, look for fundamental news to confirm any price reaction.

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The Markets

<i>Data Source: USDA-AMS Market News</i>		Week of 11/16/18	Week of 11/9/18	Week of 11/17/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$113.00	\$113.70	\$119.35
	all grades, dressed weight, \$/cwt	\$177.38	\$179.16	\$189.31
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$213.85	\$217.37	\$210.22
	Choice-Select Spread, \$/cwt	\$15.51	\$16.05	\$19.50
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$145.63	\$147.54	\$157.24
	Nebraska 7-market, \$/cwt	\$157.42	\$157.75	\$167.19
	Oklahoma 8-market, \$/cwt	\$144.92	\$150.42	\$156.75
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$166.02	\$167.65	\$168.74
	Nebraska 7-market, \$/cwt	\$172.51	\$174.47	\$180.31
	Oklahoma 8-market, \$/cwt	\$162.32	\$164.13	\$169.59
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.52	\$3.53	\$3.11
	DDGS, Nebraska, \$/ton	\$140.00	\$137.00	\$135.00