

## **In The Cattle Markets**

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### **A Wild Week for Cattle Prices**

It certainly was a wild week in both the feeder cattle futures and cash market. Actually the crash in futures began the previous week on Thursday and Friday (Dec. 11 and 12) with limit down movements.

At least some market watchers did not seem that concerned with the two limit moves because in mid-October a similar volatile price event occurred. After setting contract highs earlier in the week, on Friday, Oct. 10, March feeder cattle futures were down \$2.97, almost the \$3 per hundredweight daily limit. On Monday, Oct. 13, the market rallied \$1.40 only to be followed by limit down on the 14<sup>th</sup> and 15<sup>th</sup>, limit up on the 16<sup>th</sup>, and limit down again on the 17<sup>th</sup>. After trading in a sideways pattern for several weeks, the futures market rallied to near contract record highs set earlier in October. So some may have had expectations for that to happen again in December.

But follow through interest in selling futures contracts continued last week with limit down movements on Monday, Tuesday and Wednesday. That interest in long liquidation went to panic mode and the \$3 daily limit was not enough to allow price discovery.

So for Thursday's trade, the CME expanded the limit to \$4.50. The expanded limit did provide much needed liquidity, because after initially trading down the market rebounded sharply to close over \$2 above Wednesday's close. Continued follow up buying caused the market to rally over \$2 again on Friday.

A number of factors likely led to the initial sell-off. Feeder cattle futures were near record highs and reality is that markets often tend to be overbought or oversold. Weakness in both boxed beef and fed cattle prices the last several weeks; coupled with uncertain demand for next year with likely increasing supplies of pork and chicken, caused concern that feeder cattle prices were too high.

The feeder cattle cash market was also sharply lower last week, as buyers decided to limit purchases to see what would happen with the futures market. Looking ahead, there will be very limited cash feeder cattle sales the next two holiday weeks. Also the boxed beef and fed cattle trade will be limited as well. The next two weeks will give the futures time to establish a trading range prior to a more normal cash market volume for the New Year.

Amid the futures market fireworks, Friday's *Cattle on Feed* report had little fanfare. Results came in near pre-report expectations with cattle on feed 1.4% above last year, placements down 4%, and marketings 11.1% lower.

Some may question why cattle on feed numbers can be higher given the smaller calf crop and heifer retention. The major reason is that cattle are being fed longer to record carcass weights. Causing that is feeder cattle supplies are short and high priced, coupled with a record corn crop and lower feed prices. Furthermore, calf slaughter has been down with more going to feeder cattle channels. And high feeder cattle prices and the increasing value of the \$US has caused increased imports from both Mexico and Canada.

This will be the last *In the Cattle Market* of the year as no column will be issued next week. On behalf of all 5 authors and the great staff at LMIC – Jim, Jessica, and Laura – we wish you all very Happy Holidays!

## The Markets

All cattle and beef markets were sharply lower last week. Across the 5-area market, liveweight fed steer prices averaged \$158.51 down \$3.87 for the week. Even though prices have fallen almost \$13 since the record high at the end of November, they are still \$28 higher than the same week last year. Dressed weight prices declined \$5.95 to average \$250.17. The boxed beef market also declined with Choice at \$242.27, down \$6.79 for the week. Feeder cattle and calves were down \$10 to \$20 with the chaos in the futures market. Corn prices in Omaha on Thursday increased 11 cents per bushel at \$3.89.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 12/19/14</b>	<b>Week of 12/12/14</b>	<b>Week of 12/20/13</b>
<b>5-Area Fed Steer Price</b>	all grades, live weight, \$/cwt	\$158.51	\$162.38	\$130.48
	all grades, dressed weight, \$/cwt	\$250.17	\$256.12	\$207.67
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$242.27	\$249.05	\$198.22
	Choice-Select Spread, \$/cwt	\$10.22	\$13.48	\$9.66
<b>700-800 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$227.26	\$243.55	\$172.99
	Oklahoma 8-market average, \$/cwt	\$225.60	\$238.49	\$164.58
<b>500-600 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$294.11	\$307.59	\$206.03
	Oklahoma 8-market average, \$/cwt	\$277.57	\$294.61	\$191.87
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu. (Thursday)	\$3.89	\$3.78	\$4.22
	DDGS Price, Nebraska, \$/ton	\$163.50	\$145.90	\$221.50