

January 11, 2022

## In The Cattle Markets

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### Cattle and Beef Markets

Cattle continue the move into the New Year with optimism. Some related markets have shown short periods of weakness but the underlying perspective of a comprehensive look at cattle and beef market is strength. The weekly 5-area weighted average fed prices fell to \$138.41 in the second week of January, but this market peaked in the first week of December at \$140.44, and the last time this market was in the \$140s was the first week of May 2017. USDA Choice boxed beef cutout values were \$262.14 for the second week of January, and this is down from the peaks in late August and early June approaching \$350, but these are valuations from a market which was rarely above \$250 outside of the pandemic shutdown period. Similarly, beef animal hide and offal values fall to \$13.62/cwt of live animal from \$16 peaks, but these valuations have spent the last five years at or below \$12.

The softening of prices gives little cause of concern. Retail protein prices – beef, pork, and poultry – if they have softened then it is only from record-high or near-record high values. These high retail prices – albeit flawed as in not capturing actual purchase price discounts – combined with strong volumes of protein production clearly indicate very strong demand by domestic consumers. We are approaching two-years into the pandemic and the overall domestic economy is clearly signaling strength.

The wholesale-to-retail margins on both beef and pork are substantial. The farm-to-whole margins for both and especially for beef are also substantial. Thus, recovery of meat supply chain functioning and any most tightening of fed cattle and hogs should translate into the potential for substantially strong farm level prices for these protein animals. The potential – but not a guarantee – is there. We will have to see the magnitude of margins that retailers and processors command. This is one wildcard impacting the market.

And the second is the strength of corn prices and other feed stuff costs. While feeding costs and drought persistence create uncertainty, the feeder cattle and calf market in Colorado did not seem to notice. Cash corn in Northeast Colorado traded 45-50 cents over March corn futures basis – this is about \$6.50/bu. And prices for 500-550 medium and large #1 steers increased from \$188 in the last trading week of December to \$194.35 in the first full week of January. Any steer less than 400 pounds is well of \$2 per pound and has been most of the fall run.

### The Markets

What does the technical picture say? Charts reveal a persistent pattern. There are long-term uptrends in place and resistance planes are being broken as most contracts push into life of

contract highs. But the cattle markets do not chart like the corn or soybean markets. Cattle do not jump to new higher levels. Rather there are persistence moves higher with period sharp down moves. Live cattle contracts have trends in place and have broken resistance – these are buy signals. But feeder cattle contracts are holding at resistance and less so on more deferred contracts – sell signals.

For producers, in this market, I am inclined to recommend that folks reread ITCM write ups about LRP. It is time to work on developing that routine of evaluating alternatives for risk protection and act on those opportunities and prices move higher.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 1/7/22</b>	<b>Week of 12/31/21</b>	<b>Week of 1/8/21</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$138.41	\$139.59	\$111.27
	all grades, dressed weight, \$/cwt	\$219.98	\$220.89	\$175.79
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$268.03	\$265.03	\$206.73
	Choice-Select Spread, \$/cwt	\$8.14	\$8.38	\$10.25
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$159.91	--	\$135.65
	Nebraska 7-market, \$/cwt	\$169.65	\$170.97	\$144.22
	Oklahoma 8-market, \$/cwt	\$159.73	--	\$136.06
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$196.13	--	\$170.89
	Nebraska 7-market, \$/cwt	\$195.67	\$186.95	\$173.50
	Oklahoma 8-market, \$/cwt	\$181.39	--	\$161.91
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$6.04	\$5.97	\$4.81
	DDGS, Nebraska, \$/ton	\$215.00	\$210.00	\$231.00