

In The Cattle Markets

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Seasonality

Seasonality can be relevant across cattle markets for feedlots, various grazing enterprises, and cow-calf operations. With new year-end data, a look at seasonal trends in prices seems timely. Most cattle sectors have some seasonality in prices because of biology, growing seasons of feedstuffs, and climate. Seasonal patterns thus happen in cash prices. These tend to also be reflected in futures prices when contracts across expirations are examined at points in time (like carry in storage markets). A chart of nearby futures prices also reflects seasonal patterns observed in cash prices. However, futures prices are generally unbiased and there is seldom any seasonal pattern for a given contract. For example, there is no seasonality in a June live cattle futures price nor a September feeder cattle futures price.

Fed cattle cash prices have a pronounced seasonal high in March through May with a low in September (and sometimes October). This pattern is consistent in Southern Plains cattle (as tracked by LMIC) and in northern markets (e.g., Worthing, South Dakota). This tendency cannot be ignored. When hedging or negotiating prices, the basis will reflect the underlying seasonal pattern relative to a futures price. For example, the basis in Worthing was very high in May of 2023, reflecting a seasonal cash premium compared to the June futures price. Basis in 2024 would be expected to typically be \$2-3 negative before March and after September in northern locations. Basis is also expected to be positive and peak close to \$10 (positive) in May. Southern locations would not have as favorable levels.

Seasonality in feeder cattle cash prices is less pronounced. It tends to be low in February and March before peaking in late summer. Seasonality is also region-specific, with the Southern Plains peak occurring in August and September, while in South Dakota the peak tends to be in July. Seasonality does not have a clear impact on basis for feeder cattle that needs to be managed or accounted for. The basis on feeder cattle in South Dakota tends to be around \$5 above futures most months of the year (although it stays closer to \$2 in January and February). The basis for southern locations tends to be more variable and often negative instead of positive. The location differences in the basis are still likely reflecting quality and transportation differences rather than seasonality differences.

For calves or stockers, the seasonal pattern in cash prices is for a slight high in June through August with a slight low in January and December in South Dakota. The high occurs when sales volume is very low in the summer months. In contrast, in the Southern Plains it is more likely to see a slight high in March and a slight low in October. Like feeder cattle, the basis on calves does not have a pronounced seasonal pattern in South Dakota. The five-year average has been around \$35 above futures, being a little higher in March and a little lower in October. The seasonality tends to be more pronounced for other locations around the U.S.

The price and basis data for South Dakota locations come from the newly updated:

[Monthly Cattle Prices and Basis Levels \(sdstate.edu\)](http://sdstate.edu)

Some of the sources use LMIC files. The Southern Plains observations are based on data from LMIC.

The Markets

The cattle markets were mixed for the week. In the cash trade, fed cattle were lower on a live and a dressed basis. Boxed beef was higher. Feeder cattle prices were steady for lighter weight animals and lower for heavier weight animals. On the futures side, live cattle were higher for the nearby and steady for the deferred contracts. Feeder cattle futures were higher. Cash corn finished the week lower as the combination of reports from last week resulted in higher corn supplies compared to expectations.

<i>Data Source: USDA-AMS Market News</i>		Week of 1/12/24	Week of 1/5/24	Week of 1/13/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$173.47	\$174.01	\$156.78
	all grades, dressed weight, \$/cwt	\$273.70	\$274.78	\$251.11
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$283.44	\$278.86	\$281.10
	Choice-Select Spread, \$/cwt	\$17.26	\$19.84	\$23.12
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$243.24	\$243.96	\$186.62
	Nebraska 7-market, \$/cwt	\$240.03	\$244.31	\$188.17
	Oklahoma 8-market, \$/cwt	\$220.71	--	\$179.00
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$305.50	\$296.60	\$222.61
	Nebraska 7-market, \$/cwt	\$307.71	\$307.31	\$222.92
	Oklahoma 8-market, \$/cwt	\$282.41	--	\$212.62
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.65	\$4.70	\$7.12
	DDGS, Nebraska, \$/ton	\$216.00	\$223.83	\$298.33