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In The Cattle Markets

Stephen R. Koontz

Department of Agricultural and Resource Economics, Colorado State University

Mixed Nearby Demand Signals but Clear Long-Term Supply

Cattle and beef markets over the past several weeks have been a mix of information and signals. There is a clear understanding of the coming long-term reductions in numbers and beef supplies. This week's Cattle on Feed report will be interesting in how placements confirm this perspective. Has the persistent dry weather and poor pasture led to more placements and less heifer holding, thereby delaying the shortfalls but exacerbating their future magnitude? Friday's report and the reports for the next two months will inform. Calf green-grass price strength is present but has been somewhat soft given the pasture conditions.

The supply side has more clarity than the demand side. Spring has not brought the typical and expected rallies to the boxed beef composite value, the Choice-Select spread, and packer margins. The cutout value has nibbled its way back above \$3.00 per pound in the daily reports but the weekly reports are yet to catch up. The CH-SL spread is no longer in single digits but also a far cry from the usual seasonal strength. And packer margins, which should be heading into some of the best for the year, are not. And, if this is the best the year has to offer, then it forbodes trouble. Cash packer margins remain sub-\$200 per animal gross. Substantially softer byproduct values factor into this and indicate trouble in overseas markets.

Weekly slaughter of fed steers and heifers is okay and periodically strong but only for individual weeks. The FI-fed slaughter is such that I do not anticipate a strong marketing number in the Cattle on Feed report. Last month's Cattle on Feed revealed a large number of on-feed over 150 days and there will be some reduction but not strong. And FI steer and heifer carcass weights continue to impress. Weights have essentially held steady the last 8-9 weeks. Steers hover above 920 pounds and heifer weights are about 850 pounds. This is another 40 pounds of beef per animal given the normal seasonal decline in weights that should be observed. This is a substantial increase in beef tonnage. There is a bit of observed strength in the beef loin market but that is the only primal showing that. End meats are far stronger this year than middle meats. And again, the exception is ground beef. Ground beef is by far the strongest market and the strength in those prices is evident in cow prices.

The Markets

What does the technical picture say? Clarity in the technical picture emerged last week, it is bullish, but not overwhelming so I am somewhat comfortable with a trend that starts in mid-April and has its second low in early May. Resistance from late May was broken last Friday and needs confirmation this week. The next resistance is at price levels seen in mid-March. My advice to producers with calves to sell this fall is to make follow-up purchases if the market rallies to resistance. Diversify sales in this market. And continue to watch the boxed

beef composite values and be aware of news in the Cattle on Feed report on Friday. Watch charts for weakness.

		Week of 5/17/24	Week of 5/10/24	Week of 5/19/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$188.54	\$185.94	\$175.15
	all grades, dressed weight, \$/cwt	\$299.39	\$295.28	\$280.84
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$306.74	\$296.78	\$299.80
	Choice-Select Spread, \$/cwt	\$12.90	\$8.72	\$15.90
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$262.50	\$253.00	\$237.74
	Nebraska 7-market, \$/cwt	\$272.26	\$266.63	\$208.52
	Oklahoma 8-market, \$/cwt	\$258.77	\$255.89	\$209.93
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$332.78	\$--	\$281.77
	Nebraska 7-market, \$/cwt	\$335.85	\$335.65	\$291.96
	Oklahoma 8-market, \$/cwt	\$313.44	\$313.26	\$259.06
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.63	\$4.63	\$6.25
	DDGS, Nebraska, \$/ton	\$173.67	\$179.40	\$260.00

Data Source: USDA-AMS Market News