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In The Cattle Markets

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Spot and Forward Markets

Conventional wisdom says that nobody is expanding cattle herds. Usually, that means there is not enough expansion in aggregate to see any difference. Local or individual situations can differ, and contraction or expansion is normal to observe. For example, at South Dakota AMS-reported auctions, there have been several weeks with notable volumes of heifers traded as replacements. The volume, while interesting, does not defy conventional wisdom – the total for the month of May was smaller than the total from 2023. Expansion is not rampant. The heifers weighed 700-1,000 pounds and traded on both a per cwt and per head basis in both years. Replacements weighing close to 800 pounds traded at \$249.00-291.00 per cwt. This reflects a premium compared to heifers not deemed as replacements that traded at \$222.50-263.00 per cwt. The replacement prices also reflect a premium to the CME Feeder Cattle Index, which was averaging about \$249.00 per cwt for the same period. Last year the replacements only traded at a few dollars above the index of \$207.00 per cwt.

The spot price for steer calves locally, using a weighted average of 5-600 pound animals from South Dakota AMS-reported auctions, topped \$350.00 per cwt last week. That is an all-time high for that series and exceeds the 2023 level by \$50.00 per cwt (or \$275 per head). For the month of May the average price reflected a basis of \$95.00 over the average of May feeder cattle futures prices. The basis was \$56.60 in May of 2023. June is generally the time of year when forward sales begin. Video auctions often have runs with forward trades this time of year. Given the recent spot basis levels, one would expect high basis levels to be reflected in forward prices. Sharply lower corn and hay prices are factors strengthening basis on the cost side, while higher feeder cattle futures are strengthening basis on the returns side. There can be some direct trades with forward prices, but those are more common in southern states.

The price differentials of steers and heifers fade at higher weights. The spot prices for heifers from the 5-Area series were within \$1.00 per cwt for live and dressed steers last week. The slaughter weights differ as live heifers weighed 1,326 pounds last week while live steers weighed 1,459 pounds. Forward market prices for fed cattle do not discern between steers and heifers. The prices from AMS reports are given as basis levels for the prior week relative to the corresponding futures prices. Thus, forward prices for delivery this June have been quoted as a basis relative to the June Live Cattle futures price. The AMS uses parentheses for negative numbers, thus a basis of “(\$2.60)” means one must subtract \$2.60 from the futures price to arrive at the forward price. New signings levels have been running at a higher pace than during the past two years. The result is the cumulative signings have been back above 1,000,000 head for much of 2024 after being below that level from late 2022 through much of 2023. The volumes are higher across the upcoming delivery months and are at relatively high levels for November and December delivery.

The Markets

The cash market was lower for fed cattle and higher for boxed beef last week. The futures for live cattle and feeder cattle were lower across contract months. Cash prices for feeders were mostly higher across weight classes. The implied volatility levels for live and feeder cattle futures have stabilized at an average level in recent weeks. Cash corn was lower for the week as were new-crop futures prices.

| | | Week of 5/31/24 | Week of 5/24/24 | Week of 6/2/23 |
|-------------------------------------|------------------------------------|----------------------------|----------------------------|---------------------------|
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$188.91 | \$190.09 | \$182.03 |
| | all grades, dressed weight, \$/cwt | \$300.81 | \$303.49 | \$290.05 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$313.25 | \$311.64 | \$306.79 |
| | Choice-Select Spread, \$/cwt | \$10.71 | \$11.31 | \$18.75 |
| 700-800 lb. Feeder Steer | Montana 3-market, \$/cwt | \$273.96 | \$257.00 | \$-- |
| | Nebraska 7-market, \$/cwt | \$282.34 | \$277.48 | \$223.88 |
| | Oklahoma 8-market, \$/cwt | \$256.00 | \$261.90 | \$220.51 |
| 500-600 lb. Feeder Steer | Montana 3-market, \$/cwt | \$343.43 | \$338.29 | \$290.13 |
| | Nebraska 7-market, \$/cwt | \$359.90 | \$354.62 | \$283.24 |
| | Oklahoma 8-market, \$/cwt | \$319.73 | \$311.26 | \$270.40 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$4.57 | \$4.70 | \$6.54 |
| | DDGS, Nebraska, \$/ton | \$172.00 | \$173.67 | \$248.33 |

Data Source: USDA-AMS Market News