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In The Cattle Markets

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Bullish Charts but in Need of Good Demand News

Memorial Day and the official start of summer are behind us. How is the summer beef demand playing out? The Choice boxed beef composite value rallied above \$3 per pound three weeks ago. The rally is favorable to fed cattle markets, but it is very comparable to that seen in March and is a bit softer than last year. The composite value is front and center for me as an indicator of demand going forward. What type of strength do we see? The other historical indicator is the Choice-Select spread. This value spent much of April below \$10 per cwt and has just recently rallied into double digits. Last year the value rallied to better than \$20 in April and spent much of the last half of last year between \$25-\$30. The current spread is historically seasonally weak. Market followers will likely suggest moving to a Choice-Prime spread or a Choice versus Program Beef spread as the Select product is currently much less important. I agree but those spreads are also somewhat weak and weaker than last year. Like CH-SL, these other spreads were strong for the last half of last year. Are there rallies in the various spreads through the next month? These will communicate the potential strength of the fed cattle market in the third quarter. Also front and center.

Somewhat counteracting the normal improved demand during the summer are the strong slaughter volumes – especially of fed heifers – and the very strong counter-seasonal fed steer and heifer slaughter weights. Fed weights were flat through March, April, and May, so now there are almost 30 more pounds of beef per animal – both steers and heifers – than last year. It varies depending on the week but there is almost 5% more beef due to heavier slaughter weights. And again, numbers of up compared to last year. Second quarter beef supplies will finish substantially.

We are finally seeing some reduction in the long-fed inventories. The large slaughter has helped pull down these numbers. Cattle on feed more than 150 days – calculated from the report two weeks ago – are still very strong compared to last year and strong compared to all but the peak of the COVID disruptions. Inventories are down sharply from the prior month but are still large.

Along with the supply information, we are seeing much-discussed reductions in beef exports along with the fact that packer cash margins continue to be very weak. Summer demand will have to do a lot of work to create a strong price outlook through June for fed cattle. And again, like much of this year, the exception is ground beef. Ground beef is by far the strongest market and the strength in those prices continues to be manifest in cow prices. So, excellent strength in hamburger prices but nothing comparable in other products.

The Markets

What does the technical picture say? There are reasonable trends in all contracts from the low in mid-April to the low on May 1 and a third low on May 13. The markets rallied through the end of May and retreated to the trend line through the last couple of weeks in May and the first week of June. Today it looks like the markets tested the uptrend June 6 and are rallying higher. A bullish signal. Keep an eye on that trend line and keep an eye on resistance formed in late March and also in late May. The charts are bullish looking but need better evidence of beef demand strength and continued cleaning up of long-fed supplies.

		Week of 6/7/24	Week of 5/31/24	Week of 6/9/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$188.92	\$188.91	\$188.75
	all grades, dressed weight, \$/cwt	\$300.71	\$300.81	\$299.21
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$316.05	\$313.25	\$324.49
	Choice-Select Spread, \$/cwt	\$13.84	\$10.71	\$22.98
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$263.83	\$273.96	\$230.5
	Nebraska 7-market, \$/cwt	\$275.8	\$282.34	\$254.32
	Oklahoma 8-market, \$/cwt	\$261.7	\$256	\$229.88
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$347.48	\$343.43	\$297.18
	Nebraska 7-market, \$/cwt	\$337.72	\$359.9	\$296.6
	Oklahoma 8-market, \$/cwt	\$310.32	\$319.73	\$272
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.64	\$4.57	\$6.57
	DDGS, Nebraska, \$/ton	\$166.67	\$172	\$232

Data Source: USDA-AMS Market News