

In The Cattle Markets

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Strong Counter-Seasonal Market

The last several weeks of 2022 and this first week in 2023 have seen two substantial storms – delaying holiday travel yes – but also putting substantial moisture in the mountain west, some in the southern plains, and more in the northern plains and upper Midwest. It will be some months before the moisture is needed but simply the availability is good news for the drought-stricken cattle and forage markets.

While it is often a good idea to ignore price signals given in the thinly traded holiday period, but what small calf prices have done is rather noticeable. 4-5 cwt calves in the southern plains increased from under \$200 in October to about \$230 in December. Many of the market watchers that I talk had anticipated a strong counter-seasonal market – but not of this magnitude. While calf prices have rallied and cow prices have been strong through the fall, there are certainly warning signs in the system. The boxed beef composite value has spent some time below \$250 in December and showed none of the huge demand pulls of the prior two years. Likewise, beef primal prices have showed good seasonal demand but not the quantum improvements of the prior years. Higher fed cattle prices and flat boxed beef values have resulted in packer margins being squeezed. The live-to-cutout spread was about \$250 per head in November and there's no post-COVID packer that I know of that can make money with that margin. I know of and speak with several producers that think packing should be a nonprofit public service but the real world just does not operate that way. Hours and kills will be cut. And I am reasonably sure welcomed by both labor and some management after the past three years.

Saturday fed slaughter has been modest for the second half of 2022 and fell off sharply in December. Meanwhile beef cow slaughter finished the second half of the year well-above the prior year. The exception would be for weeks 49 and 50. A portend of the coming year? Likely but two points don't show a trend or change in the trend. But several weeks in October chalked up better than 80 thousand head per week compared to the rolling five year history of 65 thousand head. I am reasonably certain what the USDA Cattle report at the end of the month is going to say.

The Markets

What does the technical picture say? The cattle 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. Feeder cattle look similar but it will be interesting to see contracts test life-of-contract highs from last August.

Specifically for producers, in this market, I am inclined to recommend that people revisit their risk management plans – both options and LRP. It is time to work in that routine of evaluating alternatives for risk protection and act on those opportunities and prices move higher. After all July corn is \$6.65, much hay is better than \$300 per ton, and corn stalks are quoted better than \$150 per ton. Optimism is warranted for calf markets but the real optimism will only be revealed with more moisture.

<i>Data Source: USDA-AMS Market News</i>		Week of 12/30/22	Week of 12/23/22	Week of 12/31/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$157.81	\$156.26	\$139.59
	all grades, dressed weight, \$/cwt	\$251.44	\$248.70	\$220.89
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$280.07	\$266.18	\$265.03
	Choice-Select Spread, \$/cwt	\$31.44	\$26.97	\$8.38
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$191.94	\$183.05	\$170.97
	Oklahoma 8-market, \$/cwt	--	--	--
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$217.50	\$217.73	\$186.95
	Oklahoma 8-market, \$/cwt	--	--	--
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.30	\$7.20	\$5.97
	DDGS, Nebraska, \$/ton	\$290.80	\$274.67	\$210.00