

In The Cattle Markets

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Uncertainty and Variability but not in Cattle

Cattle and feed markets remain a contrast this summer. December corn futures established a support low in May, tested the resistance high at the end of June, then returned to and tested support a few days later in early-July, rallied to what I am uncomfortable calling a 50% correction in mid-July, and is now breaking back to the support low. This is a textbook case of uncertainty where the market is looking for the appropriate price level where the trading slows down. And I do not think the feed grain market is through as crop conditions remain uncertain. There are a lot of acres but rather variable conditions. In the face of this for-now lower feed grain market, the forage markets in the high plains remain rather strong. Higher quality hays are in the mid-\$200s approaching \$300 per ton. And lower quality forages are well above \$100 to \$150 per ton. There is enough drought and strong demand that forages remain expensive.

Feeder cattle and calf markets showed little comparable reaction to the feed grain markets over the past two months. There was a brief price break in June with the first harvest corn price run up. But 7-8 weight feeder cattle futures have largely held the \$250 per hundredweight level and cash has moved to these levels. This is reasonable – from an economic fundamental perspective – given the strength in the fed cattle market and the downstream boxed beef market. It is not simply tighter numbers – much tighter numbers are ahead of us when herd building restarts – beef production is off modestly but the strength in demand. Within the important underlying fundamentals, slaughter weights are seasonally tight, cattle on feed over 120 days are very tight compared to prior years, packer margins and feedlot margins are very strong. These are all bullish signals. At some point in the future, we will need to be concerned about competing meat supplies, trade volumes, the strength of the dollar, and interest rates versus inflation. But this summer the cattle and beef market just continue to show dramatic strength. And this is largely due to the underlying strength in the domestic economy.

The Markets

What does the technical picture say? Feeder cattle futures have pressured and broken short-term uptrends but the strong price increase on August 1 suggests more continued up. The deferred contracts are in clear uptrends. The live cattle contracts are in strong uptrends with periodic corrections. Again, demand, slaughter weights and long-fed cattle on feed numbers will be important as we move into the fall. And there continue to be few technical patterns in corn with which I am comfortable.

Follow your technical signals. These cattle markets clearly have the strength to move higher but there are also signals of slowing momentum. Tighter production but it is mainly strong demand continues to be driving this market.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/28/23	Week of 7/21/23	Week of 7/29/22
5-Area Fed Steer	all grades, live weight, \$/cwt	\$184.81	\$186.19	\$139.83
	all grades, dressed weight, \$/cwt	\$293.63	\$294.72	\$225.53
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$303.32	\$304.07	\$268.44
	Choice-Select Spread, \$/cwt	\$24.99	\$28.12	\$25.69
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$264.84	\$286.64	\$187.23
	Oklahoma 8-market, \$/cwt	\$248.58	\$246.51	\$173.86
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$312.11	--	\$229.29
	Oklahoma 8-market, \$/cwt	\$281.96	\$277.80	\$188.47
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$6.01	\$6.06	\$7.30
	DDGS, Nebraska, \$/ton	\$204.38	\$195.67	\$240.75