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## In The Cattle Markets

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### Post-Labor Day Markets

Labor Day is behind us, and the fall run of calves is in front. What portends for the rest of September and October? Historically, October is a tough month for fed cattle markets with the summer demand season winding down and fed cattle weight winding to some of their seasonal highest. Likewise, calves have a tendency to be plentiful. This year is likely to not follow the trend. Boxed beef values are well above \$300/cwt and the Choice-Select spread is \$25/cwt. These are strong values compared to the current and past year and are also seasonally strong. But again, October is in front of us. Slaughter weights are climbing and will continue to do so until November. We will have to see if the seasonal climb persists with the heat of this summer. Weekly slaughter numbers were reasonably good – with the exception of Saturdays – with some clear periodic reduction in numbers. Packer margins were much tighter some of the year and expected response can only be lower kill volumes. These were seen. But the USDA Cattle on Feed report last month was more than a bit of a surprise with respect to the tightness on-feed numbers. Calculated inventories of cattle on feed over 120 and over 150 days also jumped higher in August with the lighter kills but remain below recent years.

The crux of the immediate outlook is where will boxed beef values head? And how hard will feedlot push? Currently, the feedlot cash return is excellent and has been for the past four months. Any bid is going to pencil out excellent. (And those hedges are going to be tough to explain to inexperienced investors.) Will packers return to more disciplined buying through this fall? My bet is yes. And my apologies for jinxing it, but April Live Cattle are sure knocking on \$2 a pound. I am jumping to the technical picture but that sure could be a strong number for resistance. Again, depending on the box value.

Regardless of other fundamentals, the price of replacement female beef animals has moved significantly higher in the last month. These transactions are on the order of 50% higher than this time last year for the same regions. There is not much trade yet and this is a counter seasonal trade. But there is some evidence of herd building albeit with minor in overall animal numbers.

### The Markets

What does the technical picture say? The \$16-\$18/cwt rally in live cattle between now and last March appears to have run its course. Live cattle contracts are not much past highs from July. Nearby live cattle contracts show modest head and shoulders topping patterns. But again, there are just no clear sell signals. More deferred contracts display more textbook trends. The market is sitting at resistance but has not broken all but the steepest trendlines.

The technical picture for feeder cattle will only make it harder for us educators to teach about risk management in the coming years. Strong uptrends in place, that were periodically tested and broken, but no subsequent down moves. No confirmation of feeder cattle markets topping. Watch your trendlines and resistance. One has to give.

These cattle markets clearly have the strength to move higher but there are also signals of slowing momentum this calendar year—and less so for next. And the replacement animal market will be interesting to watch into the coming spring.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 9/1/23</b>	<b>Week of 8/25/23</b>	<b>Week of 9/2/22</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$182.50	\$182.75	\$142.88
	all grades, dressed weight, \$/cwt	\$290.39	\$292.75	\$228.78
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$314.96	\$317.04	\$259.73
	Choice-Select Spread, \$/cwt	\$24.79	\$26.44	\$20.66
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$262.48	\$267.00	\$194.00
	Nebraska 7-market, \$/cwt	\$269.76	\$267.17	\$190.47
	Oklahoma 8-market, \$/cwt	\$251.69	\$249.92	\$178.14
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$301.00	\$296.71	\$211.33
	Oklahoma 8-market, \$/cwt	\$285.96	\$282.98	\$193.25
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$5.16	\$5.30	\$7.46
	DDGS, Nebraska, \$/ton	\$196.50	\$195.88	\$273.50