

## In The Cattle Markets

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### Continued Market Retreat

Cattle markets continue the decline from September into November. Much of this movement lower could and should have been anticipated. The underlying supply and demand fundamentals did not support year-long and continuing higher movements in cattle prices. Supplies are tightening and demand has been strong but the movement to record high prices is well in advance of that which can reasonably be supported by fundamentals.

Packer margins have spent much of the year at levels that are unlikely to cover costs – or much of costs – there may have been only a single month with some positive return. Even with strong beef prices, fed cattle were relatively too strong. The cash market has as of yet not followed live cattle futures lower. But the underlying fundamentals make that likely. The boxed beef composite value has held at levels modestly above \$3 per pound. It will also be interesting to watch the beef market react to holiday demands. For example, do ribs display the strength of last year's holiday? Or is there some erosion of demand? Overall beef demand indices show persistent weakness quarter on quarter and year on year from the peak strength in 2020. Some of the beef demand is weakening. Not in a substantive manner but weakening nonetheless. This is not bullish news.

The import and export pictures are also not bullish news. Weekly imports – especially of feeder cattle – are strengthening. And weekly exports of beef muscle cuts are decreasing. Again, neither in substantive form but the impact of both on the overall marketplace is clear. An important assessment of market conditions will be revealed in the Cattle on Feed report at the end of this week. But weekly steer and heifer slaughter numbers offer a prelude to the monthly marketings from the report. Slaughter is reasonable but has softened for steers and has drifted lower for heifers for the first time in several years. It is not likely that current marketings have reduced inventories of longer-fed cattle – on feed over 120 and over 150 days. These inventories will likely weigh on the market through the end of the year. And this perspective is confirmed by changes in steer and heifer slaughter weights. Slaughter weights have climbed six of the last eight weeks – in the face of colder weather – but also following the normal seasonal pattern. However, the overall main thing we have not observed this year is tighter supplies due to herd rebuilding. The continued marketing of heifers through fall calf sales indicates herd liquidation continues.

### The Markets

What does the technical picture say? The uptrends that have been in place for over a year in the 2023 contracts are broken. These are aggressive shorter-term sell signals. The long-term uptrends on the weekly nearest charts remain in place. But the solid-up move in live and

feeder cattle since the market break in early in 2020 is coming to an end. And it may be the NOV 2023 feeder cattle have moved lower enough that some purchasers of LRP may secure a payment. This is of course not the goal of risk management – one important goal of risk management is to not need it. But NOV 2023 enters the week at about \$230 and this is off the highs of better than \$265. Price breaks in live cattle necessitate the market communicating – through price – the need for less expensive feeders.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 11/10/23</b>	<b>Week of 11/3/23</b>	<b>Week of 11/11/22</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$179.91	\$184.89	\$152.71
	all grades, dressed weight, \$/cwt	\$286.14	\$291.92	\$241.34
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$300.15	\$304.70	\$263.27
	Choice-Select Spread, \$/cwt	\$30.60	\$27.64	\$27.42
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$227.60	\$241.50	\$182.60
	Nebraska 7-market, \$/cwt	\$240.61	\$249.01	\$180.96
	Oklahoma 8-market, \$/cwt	\$234.44	\$233.00	\$175.73
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$286.02	--	\$203.24
	Nebraska 7-market, \$/cwt	\$291.52	\$299.24	\$210.68
	Oklahoma 8-market, \$/cwt	\$278.33	\$269.84	\$188.25
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.66	\$4.66	\$7.03
	DDGS, Nebraska, \$/ton	\$213.40	\$209.25	\$271.40