

## In The Cattle Markets

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### Market Retreat Possible Slowing

Cattle markets have continued their retreat to lower prices. Current futures prices are similar to those observed in March or April of this year – if the contract was traded. But, on the positive side, the decline has slowed and is showing modest signs of the down-move weakening. Cash prices for fed and feeder cattle did not have the same strength during the up move as futures did and are weakening but also with not the same strength as futures. Regardless, 2023 is finishing up the year offering a case study of proper risk management practices and perspective. Before mid-September, there was nothing but optimism and higher – record high – prices. And after mid-September, the opposite during the sharp decline. Producers that purchased LRP or hedged in the third quarter of this year will realize some of those excellent returns.

How have beef prices fared during the fourth quarter? The downstream story for the past two years has been the strength of beef demand. This demand spiked in 2021 and persisted through 2022. The continued moderation into 2024 from that observed in 2023 will impact the strength of future beef protein prices. The demand side will likely have important interactions with changes in supplies as cattle producers consider and eventually commit to herd building.

Ribeye prices have been strong and increasing through the fourth quarter. The demand is seasonally similar but all-in-all better than last year. Loins are in the normal seasonal weakness but also priced better than last year. Wholesale tenderloin prices reflect the strong and better-than-last year's demand. Both chuck and round primal prices had a strong showing into the fourth quarter but finished the quarter modestly. Round prices were off the most. Ground beef showed the most weakness through the fourth quarter. 90% lean was off as soon as September was over and 50% lean has been weaker for the last half of the year. Beef demand is overall still rather good with the composite cutout value modestly below \$3 but there are some clear soft spots. And it is the historical regular suspects – end meats and ground products. These are the cuts and products for which buyers will become price-conscious or price-sensitive the soonest. And for which pork and poultry prices will matter the most? Substitute meat prices have not much mattered in assessing beef and cattle markets since 2021. Perhaps a change is coming?

With the mixed strong and weaker beef product prices and the modestly softer cash-fed cattle prices, packer margins only modestly look better. And better only in that they have looked horrible at close to \$200 per head gross cash margin. The holiday months are historically tough, and the first quarter is historically tough for beef packers. And soft cattle marketings

and slaughter appear to continue. This is not bullish news for cattle prices and a tough outlook until well into 2024.

## The Markets

What does the technical picture say? The uptrends from early in the year are history. Peaks will be relevant resistance to consider later. No clear bottoming patterns. But some of the downtrends look to be pressured and possibly broken. There are two down trends on the April Feeder Cattle contract chart. The steeper of the two was broken on 12/14. And the flatter of the two was broken today 12/18. Two buy signals if the breaks hold. Some confirmation is needed this week. Only the very deferred Live Cattle Contracts show any pressure to the downtrend. There are many charts with no breaks yet. However, both Live Cattle and Feeder Cattle continuous contracts are approaching the long-term uptrends on the weekly chart. So, buy signals are emerging but are rather scant at this point. Thus, the down move is possibly slowing.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 12/15/23</b>	<b>Week of 12/8/23</b>	<b>Week of 12/16/22</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$168.71	\$169.94	\$155.69
	all grades, dressed weight, \$/cwt	\$267.53	\$269.63	\$247.80
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$291.76	\$291.43	\$255.83
	Choice-Select Spread, \$/cwt	\$32.46	\$31.71	\$27.48
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$229.16	\$223.95	\$172.00
	Nebraska 7-market, \$/cwt	\$237.85	\$235.74	\$187.40
	Oklahoma 8-market, \$/cwt	\$224.23	\$219.36	\$178.64
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$278.51	\$275.47	\$200.46
	Nebraska 7-market, \$/cwt	\$292.07	\$290.24	\$212.23
	Oklahoma 8-market, \$/cwt	\$275.40	\$277.32	\$201.88
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.76	\$4.86	\$7.04
	DDGS, Nebraska, \$/ton	\$225.83	\$225.00	\$268.29