

In The Cattle Markets

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Cost Pressures

In early February the Economic Research Service estimated lower returns for the farm sector in 2024. The cattle sector, aggregating everything from cow-calf operations through feedlots, is expected to see lower returns as lower traded volume offsets higher prices. At the same time, higher feeder animal expenditures are expected to continue. Another major cost item, interest expense, is expected to remain high, as steady to potentially lower interest rates are offset by higher loan volumes. At the local level, higher rates have been discussed as they have influenced returns to storage on crops, resulted in higher operating expenses overall, and factored into the value of replacement heifers.

The January *Agricultural Prices* report included data on other cost aspects. The annual prices for feeder livestock showed a steady increase in cattle and calves in recent years to \$223 per cwt in 2023. The grazing fee rates in the same report were again up at the multi-state level for animal units and cow-calf pairs. There was a slight decrease in the rates on a per head basis. The rates continue to be the highest in Nebraska and South Dakota. Kansas had a sharp increase in rates last year. High prices for substitute feedstuffs (corn and hay) for much of 2023 likely placed upward pressure on grazing fees.

Higher prices for cattle are necessary to justify or sustain higher grazing fees going forward. Any turnaround in cattle prices would pressure fees. Less corn and hay price pressure would be positive news for cattle returns. Ending stocks for both feedstuffs are expected to be larger in 2024 compared to 2023, resulting in lower input prices. The volatility in both live cattle and feeder cattle has come down since a small peak about two months ago. The CME Group Volatility Index is useful to monitor trends for both contracts and their related charts provide a perspective that can match a trading window.

A final cost pressure depends on your perspective: feeder cattle continue to trade at high levels. The CME Feeder Cattle Index is a weighted average price of 700–899-pound steers traded at AMS-reported sales across 12 states. The index is a common benchmark that reached an all-time high of \$254.10 on September 20, 2023. The recent index values have been around \$243.00, or record levels for this time of year. For calendar year 2023 the index reflected 1.37 million head, or a good share of cattle placed by feedlots. Volumes were highest from Oklahoma and Texas, both with over 200,000 head. The direct trade in Texas was frequently high, including a week with over 10,000 head. Volumes were also high in South Dakota, Missouri, Nebraska, and Kansas with each state accounting for between 100,000 and 200,000 head. Kansas also had a direct trade observation that exceeded 10,000 head one week. Iowa, North Dakota, New Mexico, Colorado, Wyoming, and Wyoming each had less than 100,000 head.

The Markets

The cattle markets were higher for the week. In the cash trade, fed cattle were sharply higher on a live and a dressed basis. Boxed beef was lower. Feeder cattle prices were higher across weight classes. On the futures side, live cattle were higher for the nearby and steady for the deferred contracts. Feeder cattle futures were sharply higher for the nearby contracts and steady for the deferred contracts. Cash corn and distillers finished the week lower.

		Week of 2/9/24	Week of 2/2/24	Week of 2/10/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$181.15	\$177.80	\$159.62
	all grades, dressed weight, \$/cwt	\$287.37	\$279.53	\$253.91
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$294.32	\$295.61	\$267.89
	Choice-Select Spread, \$/cwt	\$9.72	\$10.26	\$13.39
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$253.68	\$245.26	\$185.03
	Nebraska 7-market, \$/cwt	\$257.16	\$256.08	\$188.31
	Oklahoma 8-market, \$/cwt	\$244.11	\$241.12	\$184.26
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$331.72	\$319.96	\$228.79
	Nebraska 7-market, \$/cwt	\$320.14	\$318.30	\$229.77
	Oklahoma 8-market, \$/cwt	\$307.07	\$303.13	\$223.64
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.40	\$4.58	\$7.00
	DDGS, Nebraska, \$/ton	\$210.00	\$218.33	\$295.57