
April 8, 2024

In The Cattle Markets

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Second Quarter Weakening Continues

Some feeder cattle and calf markets have softened following the futures selloff triggered apparently by the news of HPAI infections in cattle. Still, many regional markets have remained firm through the same period. The sharpest drops are in some of the smaller and most volatile cash markets for the smallest animals. Likewise, live cattle futures have retreated substantially in the same window while fed cattle cash market prices are only off modestly. The disease news has slowed and modestly reversed the likely and anticipated cash market strengthening.

However, from a margin perspective, some of the price adjustments could have been anticipated. Beef packer margins are as poor as they have been for over a year. The first quarter typically has the poorest margins and that is where things are. Pressure to lower fed cattle prices remains to be expected. Cash cattle feeding margins are also relatively even compared to the strength observed in all of 2023. Under such conditions pressure on feeder cattle prices are anticipated. Given these underlying conditions, a rapid return to observed high price levels for fed cattle and calves is unlikely.

And while placements in the last Cattle on Feed report were the most surprising and market-impacting, the inventory of Cattle on Feed over 150 days – as calculated from the information in the USDA reports – reveals some of the largest long-fed inventories post-pandemic. Therefore, packer leverage in bargaining will remain strong into the second quarter and the impetus for other heavy placements will be mitigated. It is rather possible that the spring market rally has occurred and is over.

Are there strengths to be found in the underlying market fundamentals? If there are then they are not obvious. Beef exports, as expected, have been soft under strong wholesale beef prices. And the same strong beef prices result in increasing imports. The continuing strong dollar offers no mitigation. Margins in pork and poultry industries have had long-term issues in the last few years and competing meat supplies are likely to expand only modestly into 2024. This has the potential to support beef prices. Further, the economy simply shows continued resilience with the accompanying strength in GDP and consumer income. Finally, spring has arrived in some portions of the country and the seasonal improvements in demand may not yet be all observed. The fundamentals are not clearly optimistic.

The Markets

What does the technical picture say? All cattle futures contracts have been moving lower since the uptrends broke in late March. Any downtrend is a bit too steep to be well-relied on but needs to be recognized. All markets are \$5-10/cwt from support levels. I would not be

surprised by some level of correction. But those need to be recognized and used as opportunities to purchase LRP when they happen. Assuming you haven't purchased LRP already. The opportunity to make a well-timed purchase appears to occur early in the year and well before the grass greens up.

I believe the cattle market will realize prices and returns through the remainder of 2024. But I would not be surprised if the live and feeder cattle contract prices were soft for much of the second and third quarters. And that is unless beef demand is very strong through the summer. Watch your charts. But act on LRP purchasing opportunities.

		Week of 4/5/24	Week of 3/29/24	Week of 4/7/23
5-Area Fed Steer	all grades, live weight, \$/cwt	\$185.73	\$188.23	\$173.10
	all grades, dressed weight, \$/cwt	\$296.87	\$299.49	\$278.65
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$301.10	\$309.13	\$288.46
	Choice-Select Spread, \$/cwt	\$3.41	\$8.08	\$11.92
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$260.35	\$255.00	\$197.10
	Nebraska 7-market, \$/cwt	\$270.40	\$269.18	\$213.40
	Oklahoma 8-market, \$/cwt	\$251.18	\$255.35	\$196.88
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$342.60	\$334.00	\$252.19
	Nebraska 7-market, \$/cwt	\$330.40	\$325.85	\$254.34
	Oklahoma 8-market, \$/cwt	\$318.72	\$326.88	\$244.38
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.46	\$4.50	\$6.70
	DDGS, Nebraska, \$/ton	\$179.40	\$178.40	\$271.33

Data Source: USDA-AMS Market News