



# IN THE CATTLE MARKETS



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## **Record-High Prices and a Downside Risk Summary**

The first quarter of the calendar year is typically soft for cattle and beef markets. But not this year. Live cattle futures and cash liveweights have traded above \$2 per pound. Nebraska and Iowa-Minnesota have been the strongest regional markets in the 5-Area report. With the information in the now-annual USDA Cattle report from 1/31, the supply side of the market outlook for 2025 is fairly straightforward. Tight supplies are here to stay and there is no substantial evidence of herd building. When herd building does commence then heifers in the feeder mix will be reduced, and this will further tighten supplies.

In such a market, what are the downside risks? This is the question I've been getting in outlook forums for the past month. Only one downside risk is supply-related. Carcass weights remain substantial and the average steer weight was 962 pounds the peak week in January. The prior high was two weeks at 960 pounds last year. The pattern in

heifer weights is the same. It will be interesting, and important, to see the magnitude of any seasonal decline in weights through the spring. How much of the 40-pound increase based on the same week of the year prior persists? With lower corn prices and longer feeding periods then heavy weights will persist. But how heavy and what are the possible further increases? But I am doubtful there will be surprises here.

The surprises will be in the margins and on the demand side. Packer margins have been tight for several years and there is little in the supply outlook to imply relief. The surprise will likely be reduced packing capacity sometime in the next several years. Which plants and what regions? The smallest plants in the regions with the tightest supplies. It will be interesting to see what the resiliency of the processing food system discussion transitions into. Packing capacity is overbuilt for the cattle market we will see during three to five years.

Market outlook talks for the prior three to five years have mentioned very little about completing meat prices. High-priced feed grains are more difficult for those industries. Until the January Crop production report, we saw substantially lower costs of production. Regardless, the cost of protein production is much lower than in prior years. At some point, pork margins will improve, and avian influenza will be mitigated. The production of competing meats will increase then and pressure persistently high beef prices.

My recommendation to cow-calf producers is to take the time to learn and get comfortable with LRP and options. Forward selling at record-high prices is probably not a bad thing to do. Figure out what you are most comfortable doing and importantly explaining to business partners. The next several years are likely to be rather forgiving – but still with substantial downside risk. And I am sure I haven't mentioned something that will reveal itself to be important in the above list.

## **The Markets**

What does the technical picture say? My day-to-day focus is on individual contracts. Those are the things we trade. However, periodically, it is important to look at the weekly charts. Weekly nearest live cattle and feeder cattle futures have been in an uptrend since the market bottom in April 2020. Those trends looked to be pressured through 2024 as both markets stalled at resistance. Not anymore. Life-of-contract-high has broken and both contracts have moved into record high prices. And the five-year long-term uptrend looks to be firmly established. This is bullish news. But certainly, with considerable short-term downside risk. As always, watch your charts.

		Week of 2/7/25	Week of 1/31/25	Week of 2/9/24
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$207.05	\$209.57	\$181.15
	all grades, dressed weight, \$/cwt	\$326.98	\$329.07	\$287.37
<b>Boxed Beef</b>	Choice Value, 600-900 lb., \$/cwt	\$326.78	\$329.65	\$294.32
	Choice-Select Spread, \$/cwt	\$10.93	\$10.42	\$9.72
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$280.78	\$296.70	\$253.68
	Nebraska 7-market, \$/cwt	\$292.95	\$300.15	\$257.16
	Oklahoma 8-market, \$/cwt	\$277.55	\$284.49	\$244.11
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$355.34	\$372.47	\$331.72
	Nebraska 7-market, \$/cwt	\$367.93	\$374.26	\$320.14
	Oklahoma 8-market, \$/cwt	\$344.40	\$351.39	\$307.07
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.77	\$4.72	\$4.40
	DDGS, Nebraska, \$/ton	\$167.50	\$170.00	\$210.00

Data Source: USDA-AMS Market News as compiled by LMIC

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