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Dog Days of Summer

We appear to be experiencing a fairly typical August fed cattle market. The last couple of years have deviated from that pattern but this year appears more typical. What is that typical pattern? It is usually one of frustration and disappointment for cattle feeders. The market usually has put the summer low in but every time it looks like the market is set to move higher, it drops back down toward the summer low. Over the last five year and the last 10 years, July and August have been the seasonal low priced months for fed cattle. In Nebraska, prices in July and August are typically about 5% below the annual price level. September prices usually improve a couple of percent and by October, prices are back at the annual average price level. November and December prices then continue to move higher.

The calculations that I do would suggest that at the present fed cattle price level, many pens of cattle are likely are spilling red ink in addition to red blood at slaughter. That makes for a difficult marketing environment when prices continue to hover near the annual lows and when cattle are losing money. As difficult as it may be in some weeks to sell pens of cattle at a loss, holding those cattle beyond optimal feeding endpoints usually delays the time for a significant market rally to occur. There may not be much improvement in feedlot profitability for the rest of this year, even with higher fed cattle prices, because my model would suggest that feedlot break-evens will also be increasing.

The Markets

Slaughter cattle prices were \$2-3.00 lower in the south with trade occurring on Thursday and Friday and \$3.00 lower in the north with trade on Thursday and Friday this last week. Trade volume was probably not adequate to clear all showlists. Prices ranged from \$79-80 in the south and were mostly \$127 in the north. Choice boxed beef prices were higher for the week. The Choice-Select spread decreased but is still above the historical level. Feeder cattle prices were steady in Kansas on limited volume and were mixed in Nebraska with calves higher and yearlings steady to lower. Calf volume was very limited in Nebraska.

| | Last Week | Previous Week | Last Year |
|---|----------------------|--------------------------|----------------------|
| Kansas Fed Steer Price, live weight | \$79.66 | \$82.14 | \$84.45 |
| Neb. Fed Steer Price, dressed weight | \$126.99 | \$129.88 | \$134.23 |
| 700-800 lb. Feeder Steer Price, Kansas 4 market average | \$115.96 | \$115.83 | \$118.19 |
| 500-600 lb. Feeder Steer Price, Kansas 4 market average | \$126.95 | \$126.66 | \$130.26 |
| 700-800 lb. Feeder Steer Price, Neb. 7 market average | \$117.94 | \$119.60 | \$125.83 |
| 500-600 lb. Feeder Steer Price, Neb. 7 market average | \$139.70 | \$136.80 | \$139.33 |
| Choice Boxed Beef Price, 600-900 lb. carcass | \$133.73 | \$128.30 | \$135.61 |
| Choice-Select Spread, 600-900 lb. carcass | \$6.81 | \$7.14 | \$5.46 |