

## In The Cattle Markets

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### Fed Cattle Prices Looking for Seasonal Low

Cash fed cattle prices bounced back some last week after declining more-or-less steadily since the first week of April. That week, the 5-Area weekly weighted average steer price (live basis) worked out to \$167.57. Two weeks ago, the 5-Area steer price bottomed out at \$145.48. That is a decline from spring high to summer low (tentatively, at least) of 13.2 percent.

From a seasonal standpoint, this year so far doesn't look too unusual. In fact, it looks pretty close to a textbook case. A seasonal fed steer price index based on weekly price data from the ten years from 2005 through 2014 shows an average spring peak at week 16 and an average summer low at week 29. This year, the spring market peaked at week 14 with the recent low at week 30. The break from spring high to summer low was a bit on the high side. Over the past ten years, prices have declined by right at ten percent from high to low. This year's 13 percent break is above average but is far from an outlier.

The boxed beef market is also performing true to seasonal form this year. Over the last decade, wholesale beef prices have tended to make a seasonal high about a month later than the fed steer market and a seasonal low just a week or two later than the fed steer market. This year, the Choice boxed beef cutout hit a high of \$263.19 in week 20. Last week (week 30) the Choice cutout was about even with the prior week at \$232.73. If the bottom is in for the wholesale beef market, it will be about right on schedule according to average seasonal tendencies.

Of course, the really interesting application of seasonal patterns in markets is in forecasting. So what would a projection of a normal seasonal pattern in the fed cattle market say about this fall? The average seasonal tendency is for the market to move up from summer lows to a late-year high (late-November/early-December) that is a percent or two above the spring high. Such a pattern projects a fall high of almost \$170. Right now, there is no indication that the market is looking for anything like that kind of rebound this fall. On Monday, December Live Cattle futures were up \$2 from the previous close but were still only trading at around \$149.50.

In a case like this, it is useful to think about why market expectations are diverging from normal seasonal patterns. This year, there are some good reasons to think that the fall rebound could be somewhat muted. Competing meat supplies are considerably higher than a year ago – and increasing. A strong dollar is making for a pretty tough export market and at the same time making imported beef trim attractive. And front end cattle supplies have increased substantially in the last few months. While the total cattle on feed inventory on July 1 was only up 1.9 percent, the calculated number of cattle on feed for 120 days or more was

up by 11 percent. So the summer low may well be in for the year – staying very close to a typical seasonal script. Moving ahead, though, there are some pretty strong reasons to expect the fall market to diverge from normal seasonal performance. This certainly seems to be what the futures market is anticipating.

## The Markets

As discussed above, fed cattle cash prices jumped about \$2 last week compared to the prior week, with the 5-Area weight average live steer price coming in at \$147.37. Wholesale beef prices were essentially flat last week. The Choice cutout value averaged \$232.73 for the week, just six cents higher than the prior weekly average. The Select cutout weekly average added fourteen cents last week compared to the prior week, working out to \$229.09. Calf prices were mostly lower last week, with the National Feeder and Stocker Cattle Summary report calling feeder and stocker cattle prices \$5 to \$10 lower. Receipts were relatively light as hot, humid weather discouraged shipping. Grain markets fell rather sharply last week. The weather market for corn and soybeans appears to be over for now. Last Friday, December corn futures closed at 381.25 cents per bushel, down 21.5 cents from the previous Friday’s close and almost 60 cents lower than the mid-July high.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 7/31/15</b>	<b>Week of 7/24/15</b>	<b>Week of 8/1/14</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$147.37	\$145.48	\$162.70
	all grades, dressed weight, \$/cwt	\$233.51	\$231.95	\$255.68
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$232.73	\$232.67	\$262.06
	Choice-Select Spread, \$/cwt	\$3.64	\$3.72	\$3.11
<b>700-800 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$230.82	\$238.26	\$246.45
	Oklahoma 8-market average, \$/cwt	\$217.82	\$224.94	\$226.56
<b>500-600 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$276.22	\$268.16	\$288.97
	Oklahoma 8-market average, \$/cwt	\$250.53	\$254.83	\$255.49
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.59	\$3.85	\$3.41
	DDGS Price, Nebraska, \$/ton	\$135.30	\$135.20	\$109.80