

Market Tracks

Ready for the next climb.

by *Wes Ishmael*

All else being equal, calf and feeder cattle prices are poised to move higher as 2024 unfolds and cattle numbers continue to decline — especially after the first half of the year — but at lower levels than previously anticipated.

USDA's Economic Research Service (ERS) lowered forecast feeder steer prices (750-800 pounds, Oklahoma City) for the final quarter of 2023 and this year as feedlot placements and the inventory of cattle on feed continued to be more than expected earlier. Fed steer and heifer slaughter was also less than originally anticipated as packers slowed production to help boost wholesale beef values.

Even so, Derrell Peel, Oklahoma State University Extension livestock marketing specialist, explained in his year-end market comments total feedlot placements for June through November last year were 0.3% less than the same period a year earlier.

"This means that the larger feedlot inventory now is due to a slower feedlot turnover rate and not because of increased total feedlot production," Peel said. "This is reflected in November feedlot marketings that were down 7.4% year over year. A slower feedlot marketing rate raises concerns that feedlots may not be staying current in marketings."

In December's *Livestock, Dairy and Poultry Outlook*, compared to the previous month, ERS reduced the expected fourth-quarter feeder steer price (750-800 pounds, Oklahoma City) for 2023 by \$10 to \$230 per hundredweight (cwt.) and the 2023 annual average price by \$2.50 to \$218.61. For this year, projected prices were forecast \$15 lower in the first quarter at \$225, \$12 lower in the second at \$235

and \$10 lower in the third at \$250. The 2024 annual average price was reduced \$10.50 to \$241.75.

Of course, these prices remain on the high side of history. The first week of January, prices for steers weighing 600-700 pounds were 34-36% higher year over year on a regional basis (see Table). The CME Feeder Cattle Index the same week was 27% higher year over year.

ERS also tempered the outlook for cash fed cattle prices (weighted average five-area direct) in December's *World Agricultural Supply and Demand Estimates*, based on increased expected feedlot placements late last year that will be marketed this year, as well as current prices at the time. Compared to the previous month, ERS reduced the expected fourth-quarter price for 2023 by \$7 to \$178 per cwt. The projected annual 2023 price was \$1.75 lower at \$175.55. Prices this year were sliced by \$10 in the first quarter to \$175, \$9 in the second quarter to \$184 and \$5 in the third quarter to \$177. The forecast annual average price for 2024 was reduced \$7 to \$178.

Lower fed cattle prices, in tandem with higher prices paid for cattle currently on feed, pour lots of red across cattle feeding returns for the next several months, at least on a cash-to-cash basis, according to Kansas State University's *Historical and Projected Kansas Feedlot Net Returns*. Keep in mind the following projections do not include price risk management.

Projected net returns for steers range from -\$232.90 to -\$253.90 for February through April this year. Estimated feedlot cost of gain for steers during the same period ranges from \$111.52 per cwt. to \$119.79.

Demand versus supply

Ultimately, the height of cattle prices depends on consumer demand. Although stagnant through the fourth quarter and lacking the typical seasonal bounce, there is little question wholesale beef prices will increase as supplies decrease if demand remains resilient.

Estimated beef production last year of 26.9 billion pounds was 1.4 billion pounds less (-4.8%) than the previous year. This year's estimated production of 26 billion pounds would be 942 million pounds less (-3.5%) than last year.

Even though beef prices will likely forge higher, cooling inflation should help.

Food price increases are expected to moderate this year, according to the latest *Food Price Outlook* from ERS. The all-items Consumer Price Index (CPI) in November last year was 3.1% higher year over year, while the CPI for all food was up 2.9%. This year, ERS predicts the all-food CPI to increase 1.2%.

As prices ration demand for less supply, U.S. beef exports face tougher sledding.

Although stronger than the previous month, U.S. beef exports continued lower year over year in October, according to data released by USDA and compiled by the U.S. Meat Export Federation (USMEF).

Beef exports totaled 104,446 metric tons (mt) in October 2023, down 17% from a year ago but 6% more than the low volume posted in September. Export value was \$836 million, down 11% year-over-year but 5% higher than September. Beef export value equated to \$389.90 per head of fed slaughter in October, down 9% from a year ago.

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	196.50	265.60	69.10 (+35.2%)
700-800 lbs.	185.27	242.70	57.43 (+31.0%)
800-900 lbs.	179.82	228.25	48.43 (+27.0%)
South Central			
500-600 lbs.	203.22	280.34	77.12 (+37.9%)
600-700 lbs.	186.26	250.10	63.84 (+34.3%)
700-800 lbs.	178.94	228.33	49.39 (+27.6%)
Southeast			
400-500 lbs.	196.79	276.49	79.70 (+40.5%)
500-600 lbs.	183.33	253.91	70.58 (+38.5%)
600-700 lbs.	168.55	229.77	61.22 (+36.3%)
CME Feeder Cattle Index²			
	180.32	228.09	47.77 (+26.5%)
Average Five-area Direct³			
Live steer (FOB)	157.74	174.01	16.27 (+10.3%)
Dressed steer (Del)	252.05	274.78	22.73 (+9.0%)
Live heifer (FOB)	157.74	173.85	16.11 (+10.2%)
Dressed heifer (Del)	252.05	274.32	22.27 (+8.8%)
Wholesale Beef Prices⁴			
Choice cutout value	283.62	278.86	-4.76 (-1.7%)
Select cutout value	256.83	259.01	+2.18 (+0.1%)
Byproduct value ⁵	13.99	11.74	-2.25 (-16.1%)
Average weekly slaughter premiums and discounts⁶			
Prime over Choice	26.12	16.80	-9.32 (-35.7%)
Premium Choice over Choice	5.02	4.83	+0.19 (+3.8%)
Select under Choice	-26.20	-25.26	+0.06 (+0.2%)
Retail beef prices⁷			
Choice beef Retail Value	736.5	803.9	+ 67.4 (+9.2%)
All fresh beef Retail Value	714.9	788.7	+ 73.8 (+10.3%)
U.S. beef exports⁸			
Value (million \$)	929.8	836.0	-93.8 (-10.1%)
Futures prices⁹			
Feeder Cattle Mar	186.550	224.150	37.600 (+20.2%)
Live Cattle Near Apr	161.275	173.400	12.125 (+7.5%)
Corn Near May	6.022	4.732	-1.290 (-21.4%)
Crude Oil ¹⁰ Near Mar	73.92	73.86	-0.06 (0%)

“Economic headwinds in our largest Asian markets continue to weigh on demand, as consumers trade down to lower-priced proteins,” says Dan Halstrom, USMEF president and CEO. “The recovery in Asia’s foodservice sector has been limited, but we remain hopeful that it will accelerate in 2024. Recent efforts to jump-start economic activity in these countries and address weakened currencies could also improve the business climate.”

January-October exports of U.S. beef reached 1.08 million mt, down 13% from the record pace of 2022, while value fell 17% to \$8.32 billion. During the same period, beef export value equated to \$395.40 per head of fed slaughter down 14%. **BA**

Estimated total cattle slaughter¹¹

Last year million head	This year million head	Change million head
33.66	32.24	1.4 (-4.2%)

Estimated total beef production¹¹

Last year billion lbs.	This year billion lbs.	Change billion lbs.
27.83	26.55	-1.30 (-4.6%)

¹ AMS National Weekly Feeder & Stocker Cattle Summary, week ending 01/06/24

² CME Feeder Cattle Index 01/04/24 and 01/04/23

³ USDA Five-area weekly weighted average direct slaughter cattle, year over year, week ending 01/07/24

⁴ National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated, weekly cutout value summary), weekly average for weeks ending 01/05/24 and 01/06/23

⁵ USDA steer byproduct drop value (FOB central U.S.), 01/05/24 and 01/06/23

⁶ National Weekly five area direct slaughter cattle premiums and discounts, weighted average week of 01/08/24 and 01/09/23

⁷ Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; monthly values, cents per pound of retail equivalent (November year over year)

⁸ U.S. Meat Export Foundation data — October 2023 and 2022

⁹ CME futures, nearby contracts year over year, 01/05/24

¹⁰ WTI-CME, nearby contract, year over year, 01/05/24

¹¹ Estimated weekly meat production under federal inspection, year to date 12/30/23