

Market Tracks

Cattle futures cap cash prices.

by *Wes Ishmael*

Cattle prices continue at historically high levels as the nation's beef cow herd continues to contract, but they ran into overhead resistance in October and November as Cattle futures melted in the face of more cattle on feed and beef production for the first half of next year (see Herd Rebuilding on Hold on Page 40).

The USDA's Economic Research Service (ERS) increased forecast beef production for next year by 535 million pounds (+2.1%) compared to the previous month at 25.8 billion pounds. That was based on more expected steer and heifer placements — ultimate marketings — for the remainder of this year and the first part of 2024.

“The larger than expected level of placements during September has led to about 4% or 1.1 million head fewer cattle outside feedlots on Oct. 1 that are available for placements in the coming months. Since the Cattle on Feed series began in 1996, this is a record low for supplies outside feedlots estimated on Oct. 1.”

— ERS analysts

Increased feedlot placements in September and October added about 200,000 head to feedlot inventories, according to Derrell Peel, Oklahoma State University Extension livestock marketing specialist, in his late-November market comments. However, he emphasizes the surge mainly represents feedlots pulling cattle forward.

Ongoing drought in some areas has likely encouraged some cattle entering

the market channel sooner than expected, along with the strong prices, according to Peel. As well, he explains feeder cattle imports from Mexico were 49% more year over year, boosted by drought in Mexico and price levels. He says most of those imports likely headed straight to the feedlot.

Prices tread water

At the middle of November, near-Feb Live Cattle futures were \$11.87 lower month to month and down \$17.55 in two months. During the same period, spot Feeder Cattle futures were down \$20.62 and \$37.42, respectively.

Although cash calf, feeder and fed cattle prices were pressured, they remained significantly higher year over year, supported by longer-term supply fundamentals (see Table).

ERS reduced the expected five-area direct fed steer price for the remainder of this year and next, in the December *World Agricultural Supply and Demand Estimates* (WASDE). Based on increased expected feedlot placements in late 2023 that will be marketed next year, and current prices compared to the previous month, ERS lowered the expected fourth-quarter price this year by \$7 to \$178 per hundredweight (cwt). The projected annual 2023 price was \$1.75 lower at \$175.55. For 2024, prices 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.

ERS also reduced last year's fourth-quarter feeder steer price (750-800 pounds, Oklahoma City) by \$14 to \$240 per cwt., and the annual average price for this year by \$3.50 to \$221.11 in November's *Livestock, Dairy and Poultry Outlook*. Prices were forecast \$9 less in the first quarter of this year at \$240, \$1 less

in the second quarter at \$247 and \$2 higher in the third quarter at \$260. The annual average price for this year was lowered by \$1.50 to \$252.25.

Expectations for increasing feeder cattle prices in the second half of this year are based in part on fewer cattle available as time unfolds.

“The larger than expected level of placements during September led to about 4% or 1.1 million head fewer cattle outside feedlots on Oct. 1 that are available for placements in the coming months,” ERS analysts say. “Since the Cattle on Feed series began in 1996, this is a record low for supplies outside feedlots estimated on Oct. 1.”

Consumer beef demand shows wear

Depending on who's running the pencil, domestic consumer beef demand continues to be extraordinarily resilient amid historically high retail prices. With that said, the inability of wholesale Choice beef prices to budge much seasonally suggests inflation and higher interest rates could be applying some drag.

“The demand index for beef appears to be resetting closer to pre-pandemic levels but may lose further ground as price increases are expected to continue in the next few years,” say analysts with the Livestock Marketing Information Center (LMIC) in the *Livestock Monitor*.

LMIC's demand index for all fresh beef was 115 in the second quarter of 2023, slightly higher than 111 in 2019, but lower than in 2020-22. LMIC analysts note a similar trend for the third quarter with an index value of 110, but they say it has declined every year since 2020.

At the same time, reduced domestic beef production and high prices are challenging international consumers of U.S. beef.

September beef exports of 98,757 metric tons (mt) were 15% less year over year and the lowest of 2023, according to data released by USDA and compiled by the U.S. Meat Export Federation (USMEF). Value declined 12% to \$795.5 million. For January through September, beef exports were 13% below last year's record pace in volume

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	192.81	258.65	65.84 (+34.1%)
700-800 lbs.	181.70	236.64	54.94 (+30.2%)
800-900 lbs.	178.71	231.28	52.57 (+29.4%)
South Central			
500-600 lbs.	185.68	263.61	77.93 (+42.0%)
600-700 lbs.	176.43	239.48	63.05 (+35.7%)
700-800 lbs.	174.65	227.99	53.34 (+30.5%)
Southeast			
400-500 lbs.	179.52	257.41	77.89 (+43.3%)
500-600 lbs.	167.38	240.65	73.27 (+43.8%)
600-700 lbs.	157.36	223.77	66.41 (+42.2%)
CME Feeder Cattle Index²			
	174.64	226.76	52.12 (+29.8%)
Average Five-area Direct³			
Live steer (FOB)	152.89	177.82	24.93 (+16.3%)
Dressed steer (Del)	241.79	281.42	39.63 (+16.4%)
Live heifer (FOB)	152.25	177.79	25.54 (+16.8%)
Dressed heifer (Del)	242.00	281.77	39.77 (+16.4%)
Wholesale Beef Prices⁴			
Choice cutout value	257.08	295.69	38.61 (+15.0%)
Select cutout value	232.18	268.77	36.59 (+15.8%)
Byproduct value ⁵	14.76	12.51	-2.25 (-15.2%)
Average weekly slaughter premiums and discounts⁶			
Prime over Choice	31.87	18.31	-13.56 (-42.5%)
Premium Choice over Choice	5.02	5.21	0.19 (+3.8%)
Select under Choice	-25.93	-27.60	-1.67 (-6.4%)
Retail beef prices⁷			
Choice beef Retail Value	742.2	816.6	74.4 (+10.0%)
All fresh beef Retail Value	724.8	794.2	69.4 (+9.6%)
U.S. beef exports⁸			
Value per head Fed slaughter	890.3	795.5	-94.8 (-10.6%)
Futures prices⁹			
Feeder Cattle Jan	180.375	228.325	47.950 (+26.6%)
Live Cattle Near Feb	166.125	176.075	9.950 (+6.0%)
Corn Near Mar	6.140	4.890	-1.250 (-20.4%)
Crude Oil ¹⁰ Near Feb	79.91	77.92	-1.99 (-2.5%)

(980,100 mt) and down 18% in value (\$7.49 billion).

“U.S. beef continues to face tough sledding in our Asian markets, where weakness in major currencies persist and consumer confidence remains guarded,” says Dan Halstrom, USMEF president and CEO. “We have seen several Asian trading partners step up efforts to stimulate their economies and ease pressure on consumers. In the meantime, bright spots for U.S. beef continue to emerge in the Western Hemisphere, led by strong demand in Mexico.”

Beef export value per head of fed slaughter was \$398.73 in September, just 2% less than a year earlier.

The January-September average of \$396.03 was 15% less than the same time last year. **BA**

Estimated total cattle slaughter¹¹

Last year million head	This year million head	Change million head
30.05	28.65	1.4 (-4.7%)

Estimated total beef production¹¹

Last year billion lbs.	This year billion lbs.	Change billion lbs.
24.82	23.51	-1.31 (-5.3%)

¹ AMS National Weekly Feeder & Stocker Cattle Summary, week ending 11/18/23

² CME Feeder Cattle Index 11/20/23 and 11/21/22

³ USDA Five-area weekly weighted average direct slaughter cattle, year over year, week ending 11/19/23

⁴ National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated, weekly cutout value summary), weekly average for weeks ending 11/17/23 and 11/18/22

⁵ USDA steer byproduct drop value (FOB central U.S.), 11/21/23 and 11/21/22

⁶ National Weekly five area direct slaughter cattle premiums and discounts, weighted average week of 11/20/23 and 11/21/22

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 (October year over year)

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

⁹ CME futures, nearby contracts year over year, 11/21/23

¹⁰ WTI-CME, nearby contract, year over year, 11/21/23

¹¹ Estimated weekly meat production under federal inspection, year to date 11/17/23