

Market Tracks

Bullish fundamentals remain.

by **Wes Ishmael**

Supply and demand fundamentals continued to underpin record and near record-high cattle prices through June.

Regional prices for six-weight steers ranged from 17% to 25% higher year over year toward the end of June, according to USDA's *National Weekly Feeder & Stocker Cattle Summary* (see Table).

On the other side of the fence, June's weighted average five-area direct FOB live steer price was \$8.82 higher year over year at \$193.33 per hundredweight (cwt.) The weighted average dressed delivered steer price was \$13.04 higher at \$307.26 per cwt.

Higher prices are in the future, as there was little indication herd expansion had begun by the start of summer. Perhaps a lower percentage of heifers in the mix reported at some summer auctions provided an inkling of intentions. However, USDA's semi-annual *Cattle* report at the end of July would provide the latest nationwide glimpse. Odds favor a slow start to expansion this fall (see *Slow Go*, Page 36).

Next year is likely to begin with a smaller beef cow herd, whether or not producers begin retaining heifers for expansion, says Derrell Peel, Extension livestock marketing specialist at Oklahoma State University, in his early-June market comments.

"The question of when heifer retention begins is important in two respects," Peel says. "First, heifer retention will further squeeze feeder supplies and push feeder cattle prices higher. That is likely to happen later this year. Secondly, the longer it takes to start heifer retention, the longer the industry will continue to see reduced cattle inventories, smaller beef production and high average cattle and beef price levels."

Non-fed beef production lower

While fed cattle beef production continues higher than anticipated due

to longer feeding periods and the slower packer pace (see *Weighty Numbers*, Page 26), non-fed beef production is sharply lower so far this year, according to Peel.

"Total cow slaughter is down 14.1% year over year through the first 21 weeks of the year, with dairy cow slaughter down 13.4% and beef cow slaughter down 14.8% from last year," Peel explains in his mid-June market comments. "Cow carcass weights are averaging 646.8 pounds, up 10 pounds compared to one year ago. Bull slaughter is down 7% year over year, with bull carcass weights up 28.7 pounds year over year and averaging 892 pounds."

Conversely, year-to-date fed cattle slaughter at the end of June was 4.5% less year over year, and beef production was down 1.6%, according to USDA data.

All told, Peel says, total non-fed slaughter through May was down 13.6%, and total non-fed beef production was down 12%, or 1.69 billion pounds. He added that non-fed beef makes up 20% of total beef production, on average.

"Fed cattle slaughter is expected to decrease more in late 2024, though carcass weights will likely remain elevated," Peel says. "Heifer retention may be starting, which would lead to a larger decline in heifer slaughter by the end of the year. Beef cow slaughter may also drop more sharply in the last part of the year. Herd rebuilding typically results in decreased heifer and beef cow slaughter. Moisture conditions through the summer and into the fall will be critical to determine if, and how much, herd rebuilding gets started and its impact on 2024 beef production."

Along the way, hefty carcass quality premiums remain. Although a touch lower year over year, premiums for USDA Price and premium Choice continue to underscore consumer preferences for quality, even amid record-high retail beef prices.

Cheaper feed ahead

Feed prices appear poised to support calf prices this fall. USDA pegged the 2024-25 corn price received by producers at \$4.25 per bushel in June's *World Agricultural Supply and Demand Estimates*. Toward the end of June, near-Sep Corn futures prices were 27% less year over year at \$4.25 per bushel.

All of that was before USDA's much-anticipated *Acreage* report at the end of June estimated 1.5 million more acres of corn than the initial projection in March's *Prospective Plantings* report.

The 91.5 million projected corn acres would be 3.2 million acres less (-3%) than last year. Given flooding in parts of the Corn Belt, some believed the estimate was too generous. Estimated area harvested for grain was 83.4 million acres, which would be 4% less year over year.

Between USDA's estimate of planted area and trend-line yields, Colorado State University agricultural economist Stephen Koontz says, corn production this year would be about 15 billion bushels. If usage remains steady, he explains the stocks-to-use ratio would increase to more than 16%.

"This level of stocks has not been seen since the 2005-06 crop year," Koontz explains, in the late-June issue of *In the Cattle Markets*. "New crop corn futures have fallen to between \$4.15-\$4.20 and \$4 will be pressured if yields are better than the trend, which seems likely, given the rainfall that much of the Corn Belt has seen. The cattle — and every other protein animal — industry is looking at prospects of the lowest feed grain prices in years."

USDA's *Acreage* report also pegged harvested all hay area for this year at 51.5 million acres in the latest report. Although the estimated area would be 1.3 million acres less (-2.4%) than last year, average production suggests continued relief from the sky-high prices endured the past couple of years. **BA**

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	246.79	308.79	62.00 (+25.1%)
700-800 lbs.	231.49	284.15	52.66 (+22.7%)
800-900 lbs.	225.46	265.45	39.99 (+17.7%)
South Central			
500-600 lbs.	259.88	307.37	47.49 (+18.3%)
600-700 lbs.	242.29	284.98	42.69 (+17.6%)
700-800 lbs.	224.68	259.96	35.28 (+15.7%)
Southeast			
400-500 lbs.	247.03	315.85	68.82 (+27.9%)
500-600 lbs.	237.28	293.12	55.84 (+23.5%)
600-700 lbs.	224.93	270.40	45.47 (+20.2%)
CME Feeder Cattle Index²			
	224.97	259.04	34.07 (+15.1%)
Average Five-area Direct³			
Live steer (FOB)	182.57	194.84	12.27 (+6.7%)
Dressed steer (Del)	289.81	310.55	20.74 (+7.2%)
Live heifer (FOB)	182.10	194.14	12.04 (+6.6%)
Dressed heifer (Del)	288.55	310.10	21.55 (+7.5%)
Wholesale Beef Prices⁴			
Choice cutout value	335.96	321.39	-14.57 (-4.3%)
Select cutout value	305.34	303.96	-1.38 (-0.5%)
Byproduct value ⁵	13.31	11.96	-1.35 (-10.1%)
Average weekly slaughter premiums and discounts⁶			
Prime over Choice	15.49	13.26	-2.23 (-14.4%)
Premium Choice over Choice	5.02	4.83	-0.19 (-3.8%)
Select under Choice	-26.36	-16.91	9.45 (+35.8%)
Retail beef prices⁷			
Choice beef Retail Value	808.2	811.1	2.9 (+0.4%)
All fresh beef Retail Value	750.2	796.1	45.9 (+6.1%)
U.S. beef exports⁸			
Value (million \$)	859.5	898.7	39.2 (+4.6%)
Futures prices⁹			
Feeder Cattle Mar	233.675	224.150	28.100 (+12.0%)
Live Cattle Near Apr	177.925	173.400	8.825 (+5.0%)
Corn Near May	5.840	4.254	-1.586 (-27.2%)
Crude Oil ¹⁰ Near Mar	69.37	80.90	11.53 (+16.6%)

Estimated total cattle slaughter¹¹

Last year million head	This year million head	Change million head
15.66	14.97	-0.9 (-4.4%)

Estimated total beef production¹¹

Last year billion lbs.	This year billion lbs.	Change billion lbs.
12.82	12.62	-1.30 (-1.6%)

¹ USDA National Weekly Feeder & Stocker Cattle Summary, week ending 06/22/24

² CME Feeder Cattle Index 06/26/24 year over year.

³ USDA Five-area weekly weighted average direct slaughter cattle, year over year, week ending 06/23/24

⁴ National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated, weekly cutout value summary), weekly average for weeks ending 06/21/24 and 06/23/23.

⁵ USDA steer byproduct drop value (FOB central U.S.), 06/27/23 year over year.

⁶ National Weekly five area direct slaughter cattle premiums and discounts, weighted average week of 06/24/24 and 06/26/23.

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 (May year over year).

⁸ U.S. Meat Export Foundation data — April 2024 and 2023

⁹ CME futures, nearby contracts year over year, 06/26/24

¹⁰ WTI-CME, nearby contact, year over year, 06/26/24

¹¹ Estimated weekly meat production under federal inspection, year to date 06/21/24 year over year.