

In The Cattle Markets

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Feeder Cattle Market Seasonality

Feeder cattle futures prices through 2009 have been trading in very tight window relative to previous years. In the past few weeks the range of contract prices has tightened even more. On July 24th the range of feeder cattle futures closing prices over the next twelve months was only 85 cents (see figure 1). Although this date was the most dramatic the trend has been the same all summer and continues to be that way today. This implies that the market has placed a premium on the November 2009 through May 2010 contracts when compared to their seasonal average price. This price range began to tighten drastically at the same time that corn prices were in a free fall and thus the likely culprit for this premium on deferred contracts. Furthermore, we continue to see less cattle being placed on feed which gives further incentive for higher prices in the coming months.

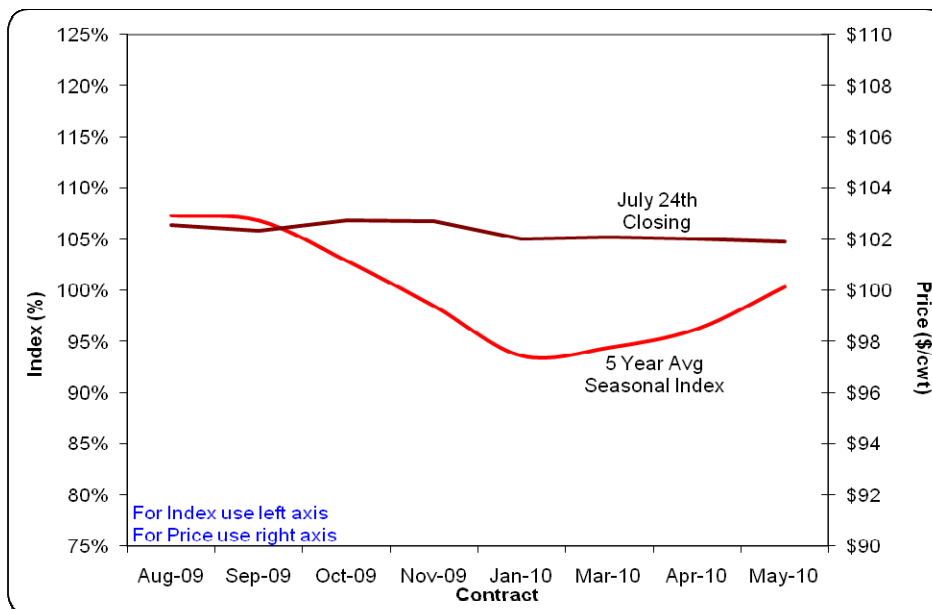


Figure 1. Seasonal Price Index and July 24 Closing Prices of CME Feeder Cattle Futures

Figure 2 shows the seasonal price pattern for an Eastern Tennessee market and cash prices for 2008 and 2009. Cash prices in the Southeastern region have, for the most part, followed a typical pattern since the start of the year until the first part June. Since the first of June prices have remained relatively flat when we typically see prices trending upward. Looking back, even during the abnormality that was 2008, SE steer prices maintained a fairly consistent pattern. Taking into account the premium currently in place for future months the seasonal break that takes place in late September/early October will likely be less dramatic as we move into the fall run of feeder cattle in the Southeast.

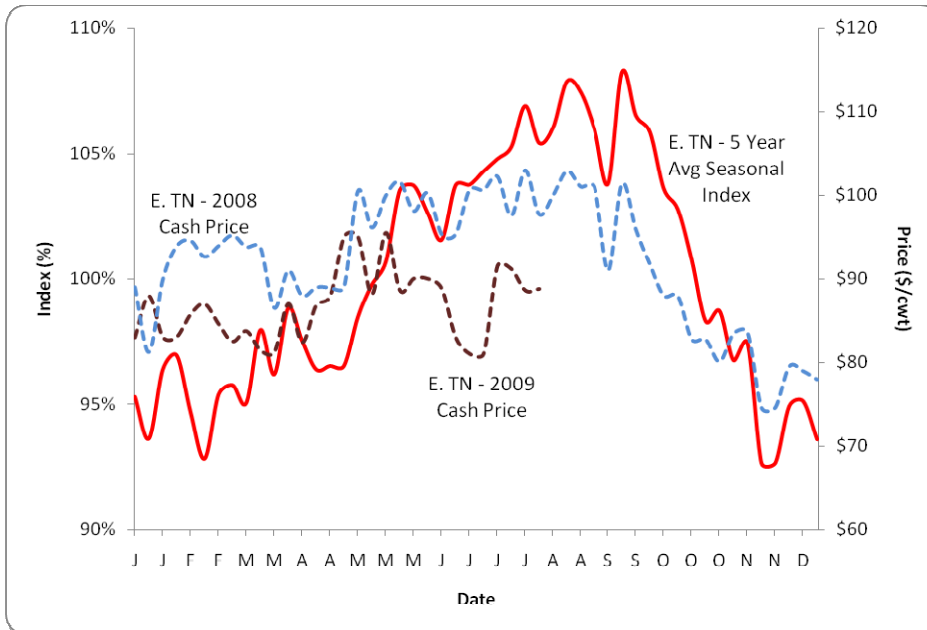


Figure 2. Weekly Eastern Tennessee Medium and Large 1 & 2 Steer Price & Seasonal Index

The Markets

Live prices slipped another dollar this week to \$81 across most regions and trade remained relatively light. Cattle slaughter was at light at 627,000 head versus 668,000 last year. Feeder cattle markets started the week with sharply higher corn futures and as a result took another hit. Lighter calves fared well though as most regions were higher on the week. Despite the jump in corn prices on Monday, Oklahoma City came in steady for feeder steers and heifers. Steer and heifer calves were \$1 to \$2 higher. Prices across the Southeast over the remainder of the week were steady to a few dollars higher.

		Week of 8/7/09	Week of 07/31/09	Week of 08/08/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$81.17	\$82.10	\$99.77
	all grades, dressed weight, \$/cwt	\$129.56	\$131.35	\$158.41
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$141.50	\$142.53	\$160.94
	Choice-Select Spread, \$/cwt	\$6.41	\$5.74	\$6.55
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	--	--	\$108.25
	Nebraska 7-market average, \$/cwt	\$106.19	\$106.69	\$119.59
	Oklahoma 8-market average, \$/cwt	\$102.27	\$102.35	\$113.77
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	--	--	\$107.50
	Nebraska 7-market average, \$/cwt	\$120.97	\$118.90	\$132.01
	Oklahoma 8-market average, \$/cwt	\$107.30	\$106.69	\$116.96
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.12	\$3.12	\$4.87
	DDGS Price, Nebraska, \$/ton	\$103.80	\$96.20	\$155.80
	WDGS Price, Nebraska, \$/ton	\$25.40	\$27.00	\$63.05