

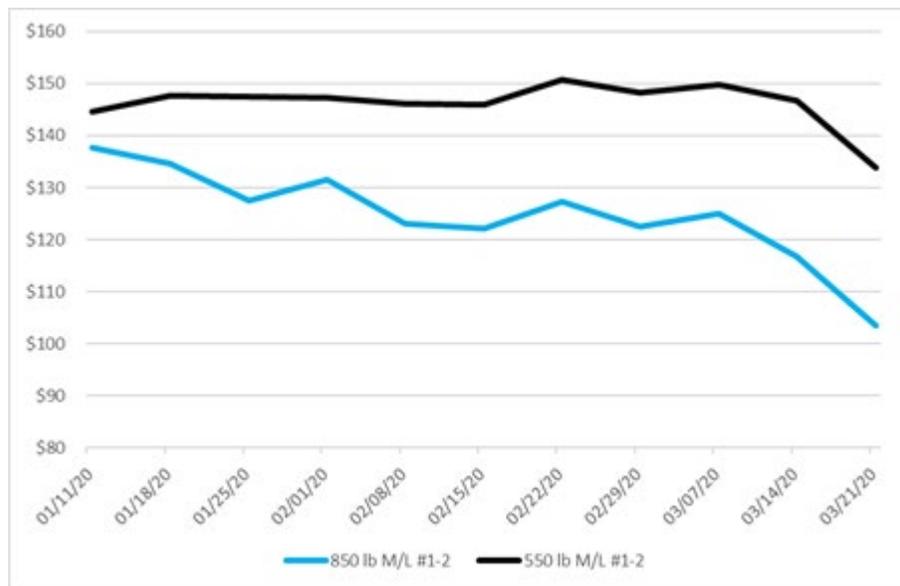
Weekly Market Report

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Feeder cattle markets continue to get hit hard. Not surprising, volumes were quite light last week, but prices still dropped drastically. Based on weekly averages, 850 lb Medium / Large Frame #1-2 steer price is down nearly \$22 per cwt over the last two weeks. After holding impressively for the first two weeks of March, calves finally fell sharply last week too. The state average price for a 550 lb Medium / Large Frame #1-2 steer has dropped by \$15 in the last two weeks. Figure 1 shows both these price series, going back to the second week of January (price data was not available for the first week of year).

Figure 1: Feeder Steer Prices since the First Week of January
Kentucky Average (\$ per cwt)

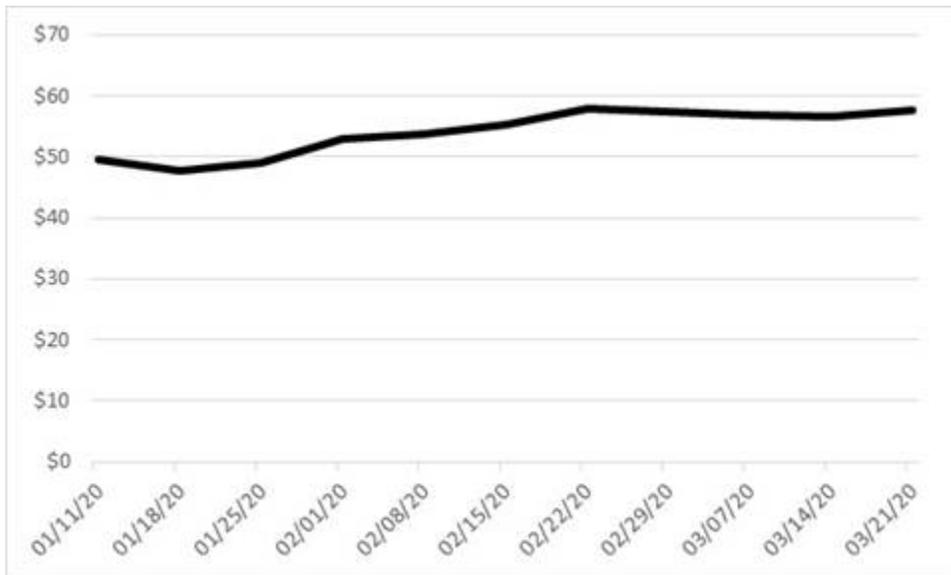


Source: USDA-AMS, Livestock Marketing Information Center, and Author Calculations

A frustration for a lot of cattle producers is that boxed beef values are increasing, while cattle prices continue to drop. Some have likened the current market environment to the Tyson plant fire last summer and many have called for investigations into the competitive nature of the market. In truth, it's hard to explain market fundamentals when things are moving as quickly as they have been the last few weeks and it often takes time for markets to reach an equilibrium. All indications are that meat is flying off retail shelves, which would explain the surge in boxed beef prices. However, the market appears to be seeing this as a short-term impact. If consumers are "stocking-up", that likely means they will purchase less at some point in the near future as they consume the inventory they bought ahead of time. Further, the market is pricing in the impact of a significant portion of consumption shifting from restaurants to at-home. And, if we think longer term, the market is also weighing the impact of all this on the US economy in the coming months, which will have demand implications. The value of feeder cattle moving through Kentucky markets is driven by the expected value of fed cattle many months into the future. Still, the divergence between boxed beef values and fed cattle prices is worth keeping an eye on.

On a positive note, slaughter cow and bull prices are holding very nicely. This is likely a result of increasing demand for ground beef, which is consistent with more beef consumption at home. A decline in restaurant demand tends to have more impact on middle-meats than burger. Not to mention, ground beef is a cheaper product that has the potential to become more attractive if challenging economic conditions persist. This is something to be very aware of in the coming weeks and months, as it may offer cash flow opportunities for some producers.

Figure 2: 80-85% Boning Cow Prices since the First Week of January
Kentucky Average (\$ per cwt)



Source: USDA-AMS, Livestock Marketing Information Center, and Author Calculations

