

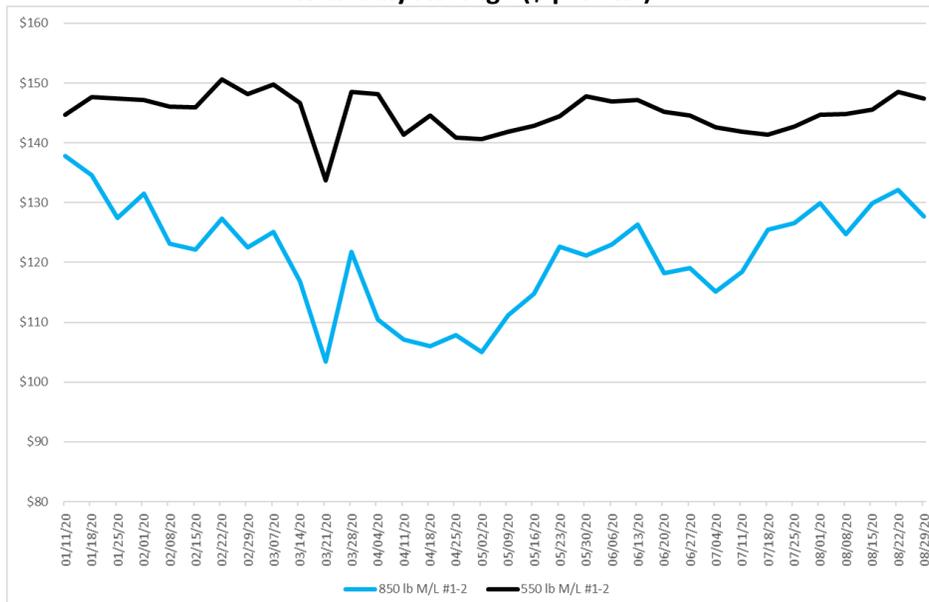
Cattle Market Update – August 28

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The general tone of the cattle market remains relatively upbeat. It looks like the 5 area weekly fed cattle price will be north of \$105 per cwt this week and has continued to steadily rise since July. Last Friday's cattle-on-feed report did show an increase in placements and a decrease in the number of cattle that had been on feed over 90 and 120 days, both of which point to feedlot inventories getting more current. While slaughter weights continue to rise, they are moving closer to where they were last year. And, it's important to remember that feed prices also impact weights and are likely at play this year as well.

Spring CME® Live Cattle futures have pulled back a little bit since mid-August, but remain in the mid-\$110's as I write this. We have seen similar downward movements in CME® Feeder Cattle futures, but these movements have actually been larger in magnitude. Still, cattle prices across the Commonwealth have steadily improved, with some expected variation from week-to-week. Figure 1 below shows a drop in the price of 850 lb M/L #1-2 steers for the current week, which is consistent with that decreases in futures prices. But, last week's prices were surprisingly high (especially for lighter steers in that weight range), so I am not reading much into that at this point. For the month of August, this weight of steers is going to average in the mid-upper \$120's, but groups have been well into the \$130's. While calf prices also show a slight decrease for the current week, they continued their general upward trend through August and will average in the mid-upper \$140's for the month, which is about a \$4 per cwt improvement over July.

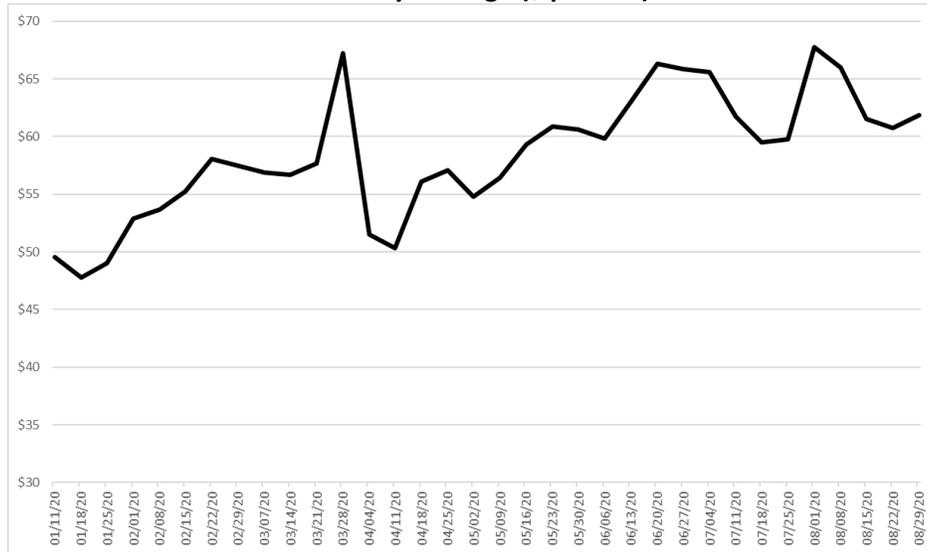
**Figure 1: Feeder Steer Prices since the First Week of January
Kentucky Average (\$ per cwt)**



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

When I wrote this same report two weeks ago, I mentioned that I thought we were seeing the start of a seasonal decline in cull cow prices. That is the normal seasonal pattern and prices have dropped from early August, but cull cow prices have stayed strong. 80-85% average dressing boning cows remain above \$60 per cwt (see figure 2) and a lot of quality cull cows remain in \$70's. Cull cow prices for 2020 have been above 2019 for every single month of the year, thus far.

**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

I have talked before about the market for heavy feeders and what that likely means for stocker operators that are grazing calves for sale this fall. But, we are quickly approaching the fall market when most of our spring born calves will be sold. Unlike spring, when many calves are placed on grass, a lot of light KY calves are placed directly into feedlots in the fall. Others may go into a winter backgrounding / growing program and be sold as heavy feeders in late winter or early spring. Finally, late fall / early winter is when wheat grazers place calves and this can have a significant impact on our calf markets as well. The value of calves in the fall is largely determined by their expected profitability when placed in these programs.

On a state average basis, a 550 lb steer averaged in the mid-\$130's last fall. Back in January, I would have predicted that same steer in the mid-\$140's by fall 2020. When COVID wrecked the cattle market this spring, I naturally walked that forecast back. But, as I look at spring 2021 CME© Feeder Cattle futures trading in the upper \$130's, it's not at all inconceivable that we could see that steer trade in the \$140's in October and November on a state average basis. Certainly, this is not a price level that anyone is going to be excited about long-term, but given what this market looked like back in the spring, it feels like quite an improvement. And, if wheat pasture demand is strong for winter, I think we could see prices even better than that.

