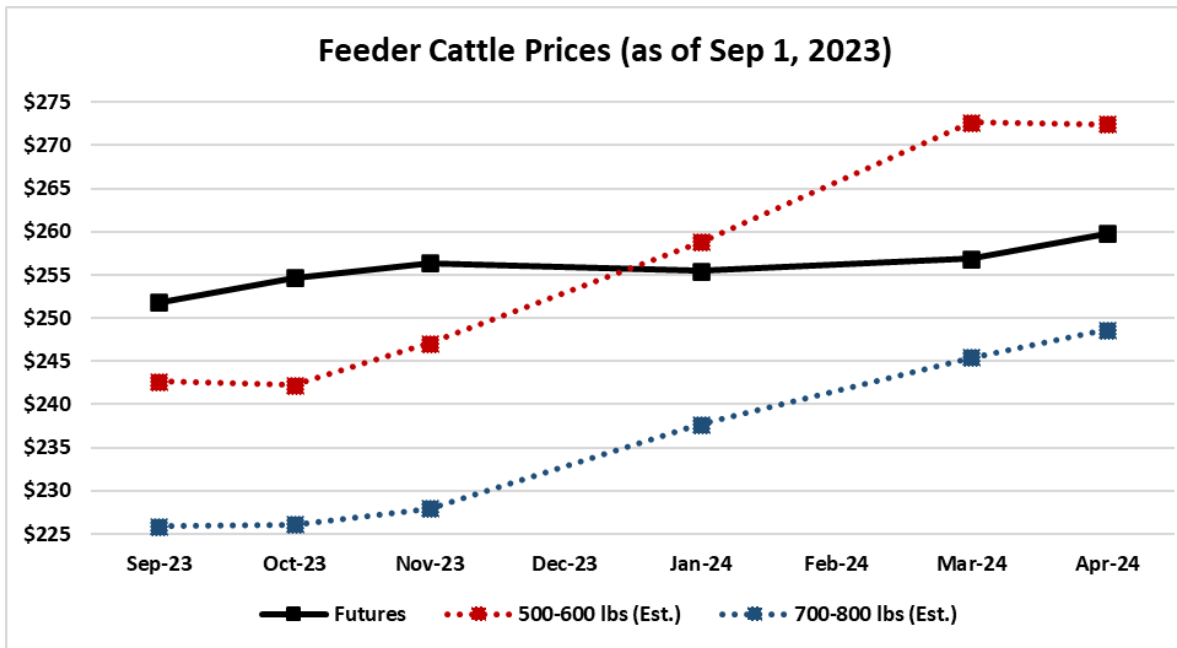


Beefenomics: Cattle Market Update

Futures Market Focus

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Data source: CME Group and USDA-AMS, Compiled LMIC, Estimates by Author

Cattle prices have reached record highs over the last several months and remain at historically high levels. Futures markets suggests that high prices will continue for the next several months. While actual prices months from now will be different from what are currently being traded in the futures market today, these prices represent one of the market's best guesses of what prices will be in the future.

Prices for feeder cattle contracts traded on the CME are higher through the spring of next year. While these would match seasonal trends, they are also higher than year-ago levels. These prices are about 30% higher than last year's contracts trading at this time last year.

We can obtain an estimate for Georgia cattle prices in the coming months using historical deviations between futures market prices and local cash prices in Georgia. This deviation is called basis. The figure above charts two things: 1) feeder cattle futures prices at the beginning of September and 2) estimated Georgia feeder steer prices using historical basis averages. These projected Georgia feeder steer prices would be above or near record levels.

These high cattle prices are continuing to find support from market fundamentals with tight supplies and robust demand. The USDA Cattle report from July suggests that the cattle herd is not in re-build mode yet, and other federal data show that consumer beef prices remain elevated year-over-year. Producers may want to consider price risk management strategies, such as futures, options, or LRP, to capture these high price expectations while protecting against the risk of a price drop.