

Beefenomics: Cattle Market Update

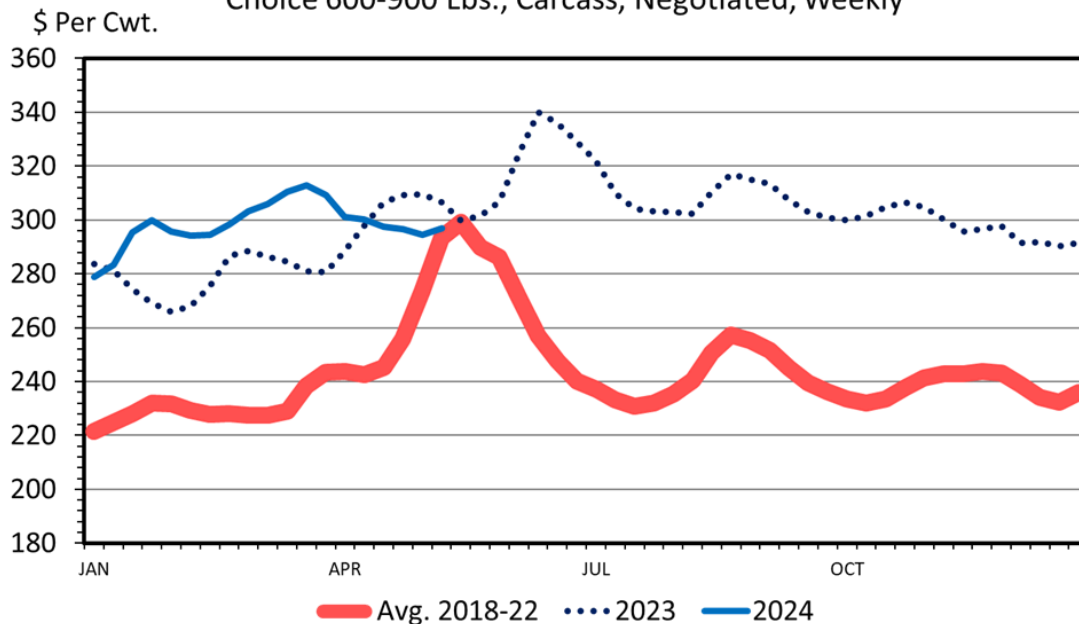
Focus on Seasonal Beef Demand

William Secor, Ph.D.

UGA Department of Agricultural & Applied Economics

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly



Data Source: USDA-AMS

Livestock Marketing Information Center

May heralds the beginning of grilling season in the U.S. The focus of beef and cattle markets turning to whether and how much of a kick beef prices might see thanks to this seasonal boost in demand.

I do not expect a huge bump in prices for two reasons. First, supply has been strong this spring. Beef production has run above year-ago levels for five weeks starting in April. This contrasts with beef production during the same time last year averaging about 7 percent below 2022 production. Additionally, cattle on feed numbers remained above year-ago levels through April. This was true for both cattle on feed over 90 days and 120 days. This suggests relatively high production could continue through early summer.

Second, demand may be softening. This is seen first in the lack of the initial seasonal uptick in cutout values so far (Figure 1). Despite the recent higher beef production in April, cutout values slid through much of April, just turning higher at the beginning of May. While there is certainly still time to see a seasonal increase in cutout values, these early indications may suggest demand may not be as strong as it once was. Underlying macroeconomic conditions of persistent inflation above the Federal Reserve's target and recent weakness seen in labor market statistics may be the driver here.

Supply numbers and macroeconomic factors should be watched closely in the coming weeks to assess the potential tone markets take going through the summer. Combined with potential weather markets for corn and other feed ingredients, markets could be quite volatile this summer.

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