

**Where do fed cattle prices go from here?** This week the market started off by a slight rebound, but Tuesday brought more red to futures prices. Cash prices have been slightly more stable. The 5 area negotiated cash prices are still above \$115 per cwt but has lost close to \$10 per cwt since January. This week there has been very little negotiated cash trade so far.

Prior to coronavirus spread, the outlook for fed cattle prices was bullish. The Livestock Marketing Information Center (LMIC) just a month ago had predicted annual fed cattle prices to average more than 3% higher. That picture has drastically changed, particularly in the first half of the year. The erosion on fed cattle prices in the first quarter now implies the quarter will dip well below a year ago (\$125.27 per cwt) and struggle to reach an average of \$120 per cwt. This will be the lowest first quarter fed cattle price since 2011, when prices averaged \$110 per cwt.

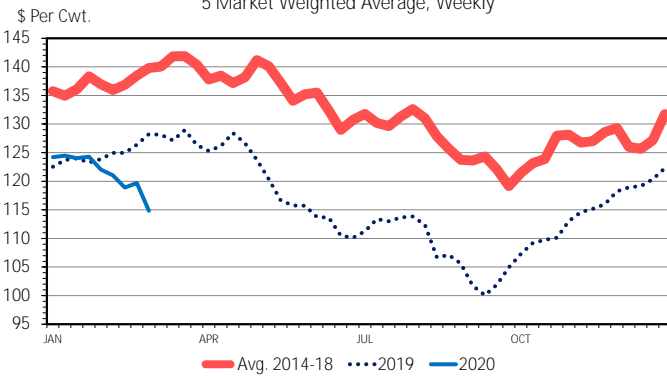
until there is more certainty regarding the coronavirus scenario and the global economy. For now we continue to watch the market and edge prices lower as a result of declining expectations. Last year, second quarter 5-area prices averaged \$118.79 per cwt. This year the LMIC is currently expecting prices to be similar to last year, but have ratcheted down from the mid-\$120s that were expected a month ago. Year over year fed cattle price improvement is still penciled in for the second half of 2020, but that largely depends on coronavirus panic being largely overcome, and the U.S. to be in a small economic slowdown.

These two caveats underpin the trends that would impact fed cattle prices. High levels of production will still be a concern, and could have more of an impact should economic slowdown or the coronavirus epidemic is worse than perceived. Still, prices face a rocky road ahead as market fundamentals converge.

**Feeder cattle prices have held together better in the month of February than fed cattle prices.** Cash prices in the Southern Plains averaged \$136.92 per cwt last week. The LMIC predicts feeder cattle prices to be slightly above a year ago on average, driven by a positive outlook on feed costs by cattle feeders. The demand for feeder cattle will be influenced by feedlot profitability. Yesterday's [DLR](#) outlined those prospects.

A smaller U.S. herd is expected to boost calf prices this fall but ultimately those prices will face headwinds as well should the rest of the cattle complex be lowered by the caveats listed above.

**SLAUGHTER STEER PRICES**  
5 Market Weighted Average, Weekly



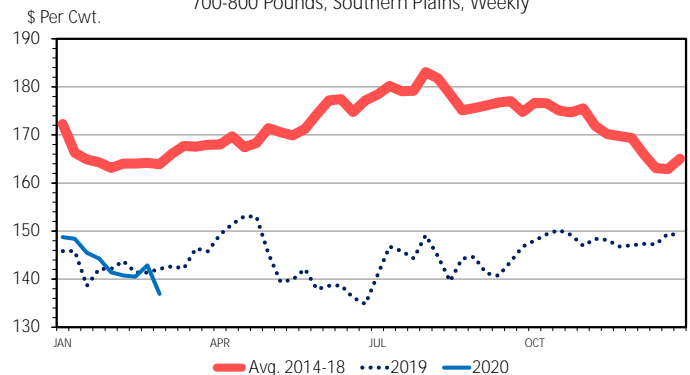
Data Source: USDA-AMS  
Livestock Marketing Information Center

03/02/20

Second quarter prices look at risk as well. The U.S. has not seen many coronavirus cases, but by early second quarter the virus could be in full swing severely limiting beef demand and impacting the season demand for grilling meats moving forward. As noted in the DLR on [February 26th](#), beef is highly impacted by changes to food service traffic, an area that would be negatively impacted by widespread disease.

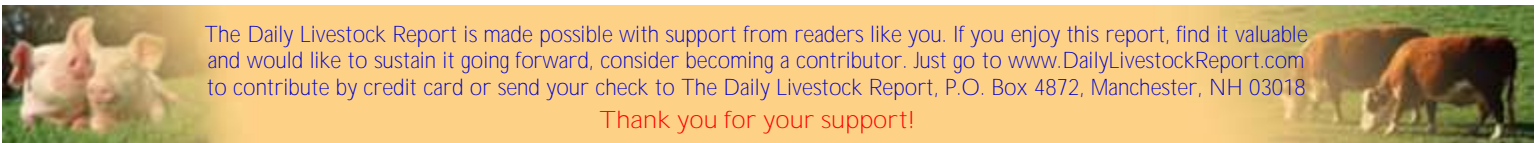
The volatility around fed cattle prices is expected to continue

**MED. & LRG. #1 FEEDER STEER PRICES**  
700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

C-P-49  
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