

Negative basis continues for most fed cattle markets through September. The October Live Cattle Contract is closed at \$108.45 per cwt yesterday with still a full month to go before expiration.

The 5-area daily live steer price was still almost a full \$4 per cwt behind the October contract yesterday. Trailing cash prices have been the norm over the last couple of months. Closing out the August Live Cattle contract saw some large cash moves at the end of August to converge. Should we expect the same in October?

A quick review of July and August Fed cattle prices: The weekending 7/5/20 the five area live steer price was \$94.87 and rose to \$105.09 per cwt by the last week of August. The chart to the right shows the volatility seen in the 5-area weekly price this year. Seasonally, 4th quarter prices should climb from summer lows. The basis in all the regional markets that are reporting (Colorado– absent due to confidentiality), show the basis levels have been substantially smaller, if not negative for July and August. Below is a basis table calculated using the monthly weighted average negotiated prices from USDA AMS, compared to the monthly averaged daily close of the August Live Cattle contract.

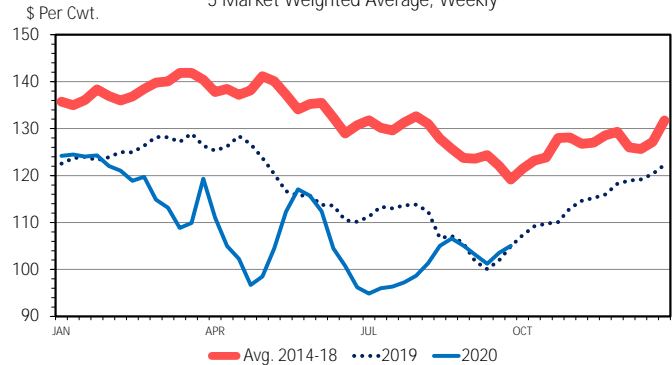
Fed Steer Basis Table for July and August				
	TX-OK	IA-MN	KS	NE
July	\$ (5.58)	\$ (1.12)	\$ (5.53)	\$ (3.40)
5-yr Avg July	\$ 3.95	\$ 4.69	\$ 3.83	\$ 4.42
August	\$ (1.12)	\$ 1.02	\$ (0.97)	\$ 0.14
5-yr Avg August	\$ 2.43	\$ 2.62	\$ 1.76	\$ 2.71

*Basis= Cash- Futures in \$/cwt

The monthly average data for September has not been released but on a weekly basis, this trend is continuing. The weekly weighted averages suggest Nebraska has the strongest negative basis in September, averaging -\$3.04 per cwt. Kansas and Texas-OK are not far behind averaging -\$2.88 and -\$2.67 per cwt, respectively. Iowa-Minnesota is averaging -\$2.58 per cwt. The 5-year monthly average basis for September is considerably smaller for most of these markets compared to July and August. Across these four, the 5-year average shows the largest positive basis in September as \$0.33 per cwt and the smallest: -\$0.94 in Texas-Oklahoma.

The 5-area live steer prices lost several dollars after the end of August but has since returned to roughly the same levels as it was at the end of August. That initial fallout had some wondering how much of the rally was dependent on Labor Day. The build back in fed prices is positive and points towards lower front end supplies of cattle than there was a month ago. Demand, however, is still a question, with the grilling season wrapped up and an uncertain

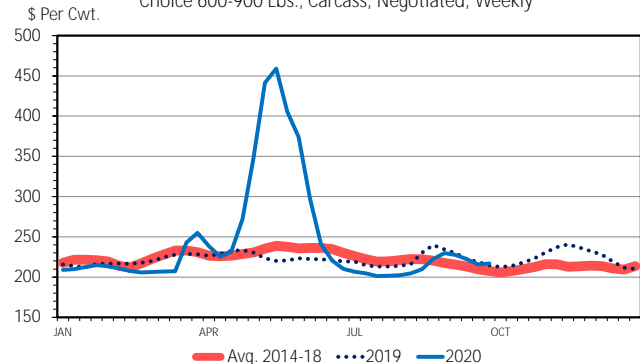
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

09/28/20

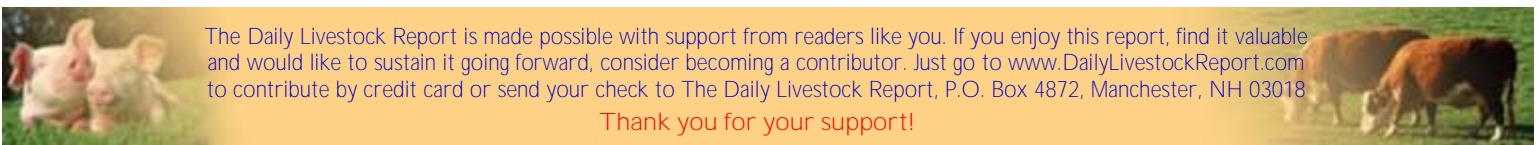
BOXED BEEF CUTOUT VALUE
Choice 600-900 Lbs., Carcass, Negotiated, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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pandemic influence this holiday season. Choice cutout values are holding roughly even with a year ago, indicating wholesale buying is at least no worse than it was a year ago. This all points to support of the cash prices gaining a few dollars between here and the end of the month, but may not see as large of a rally as it did in August unless the cutout and futures prices build higher. Conversely, a lower cutout value through October could undermine the lead futures has on cash, holding cash fed prices steady to lower. Daily 5-area cash traded at \$104.31 yesterday, and the daily close of the futures contract was \$108.45 per cwt. The daily choice cutout yesterday was \$218.64 per cwt, up \$2.77 from last Wednesday.



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