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LIVESTOCK

2020 Fall Cattle Market Outlook: Hopeful but Be Prepared



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I feel like I can safely say that the markets in 2020 have been a little off. It's like we've been on an insane roller coaster ride, with cattle prices going up and down, bouncing around all over the place, leaving us with no option but to hold tight while we ride the markets out. The October feeder cattle contract has traded as high as \$157 in January and as low as \$113 in April. That's a \$350 per head swing in the span of about 12 weeks. Definitely not what we're used to.

PRICES ARE LOOKING HOPEFUL

However, where does that leave us today? As of this writing, Aug. 12, 2020, that same October contract was traded at \$150, which shows some good news and optimism for fall marketing. So what's causing these higher prices?



SUPPLY

The supply of feeder cattle into the market has remained high due to the backlog of cattle that were ready to head into the feedyards when processor shutdowns started happening. Some of these cattle were held during the summer in hopes that the market would recover once processing started back up. This will result in fewer cattle that would normally have been ready. That scenario seems to have played out, with processors back up and running, moving those cattle through the supply chain.



DEMAND

As feeders moved through their inventory that came in this spring, the cattle that were held by producers have run the supply a little short, driving up demand for feeder cattle in the yards.



WEATHER

The drought monitor is showing drier conditions for many parts of the Southwest as we continue through the year (you can find the latest outlooks for drought at <https://droughtmonitor.unl.edu/ConditionsOutlooks/Outlooks.aspx>). These drier conditions may become more influential as we head into winter.



FEED PRICES

Current estimates are pointing toward record yields for corn and soybeans. This will help in the feedyards as it will help pull feeding costs lower, allowing for better cattle prices.

So there is hope. The markets have come up, the feed supply is looking strong, and there is potential for demand for cattle from the feedyard. But in a year where we've been a little off — I mean way off — it's hard to have any real certainty of what's to come. What are consumers going to be doing? What is the government going to put into effect? How is our ability to trade going to look? What does the coronavirus look like in the coming months?



BEST ADVICE FOR UNCERTAINTY

It is difficult to know what to expect for future markets, but you can still be prepared to make the most of your situation. The best advice I can give you right now is to:

- Know your breakevens.
- Know your cost of gain on your calves.
- Look at what the market is offering and when.
- Consider some risk management. 🐮