

## A Crystal Ball that is Spitting Nickels and Dimes

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Every year, about this time of year, I sit down and do two things. The first thing I do is see how poorly my price projections from the previous year were while the second thing I do is project quarterly prices for the next marketing year. One would think that being wrong every year would make a person stop trying to predict prices, but just the opposite is true. I figure if I can just get a projection correct one time then I can let that be a claim to fame for the rest of my life. Thus, right now is a good time to see how my projections for 2019 compared to actual prices in Tennessee during the 2019 marketing year and to provide projections for 2020.

My 2019 quarterly average projections for 500 to 600 pound steers in Tennessee were \$150 to \$162 per hundredweight in the first quarter, \$147 to \$157 in the second quarter, \$142 to \$152 in the third quarter, and the statement that fourth quarter prices would continue to struggle before finding a little footing in December. What actually happened in Tennessee was a first quarter that averaged a little over \$147 per hundredweight, \$152 in the second quarter, \$140 in the third quarter, and \$133 for October and November. Thus, the second quarter was the only quarter that actually fell in my projected range. I also provided a prediction for 750 to 850 pound steers being marketed in load lots during 2019. The prediction was for prices to be fairly stable throughout the year with prices reaching a range of \$144 to \$154 in the third quarter. Prices were stable most of the year but they were about \$5 to \$8 per hundredweight lower than the bottom end of my projected range.

**Projections for 2020:** After seeing how far off my projections were for 2019, many people may dismiss the rest of this article which is understandable. However, here are the projections and thoughts for 2020 cattle prices in Tennessee. The fourth quarter of 2019 has been a dismal one, but the market is set for a turn around in 2020. The expectation is that the beef cow herd will be smaller in 2020 than it was in 2019 which means there will be a smaller calf crop coming down the line. Heifers will continue to be sent to the feedlot at a rapid pace the next few months which will keep feedlots with strong numbers through the first two quarters of the year, but the smaller calf crop in 2019 compared to 2018 will result in fewer cattle on feed the second half of 2020 which should support prices for most of this marketing year.

The average price expectation for 500 to 600 pound steers marketed in Tennessee is between \$145 and \$155 per hundredweight for the first quarter with most weekly prices falling in that range as well. Second quarter prices are expected to hold firm compared to the first quarter with an average price in the range of \$144 to \$154. There is a good possibility that there will be a few weeks where prices exceed \$160 in March or April. Prices for the 500 to 600 pound weight class will be seasonally pressured in the third quarter and likely range from \$140 to \$150 while fourth quarter prices will be in a range of \$135 to \$145. Heifer calves of the same weight class will most likely be about \$15 to \$20 back of steers.

The yearling market (750-850 pounds) is beginning to take shape and 2020 should be a big improvement compared to 2019. Prices for 750 to 850 pound steers should be in a range of \$137 to \$145 in the first quarter, \$141 to \$148 in the second quarter, \$144 to \$152 in the third quarter, and \$142 to \$150 in the fourth quarter.

These projections are not a wild guess, but more than likely they will have a large degree of error. However, there will be many opportunities to hedge profitable prices between now and when anyone reading this article plans to market cattle. Producers should take advantage of the opportunities presented by the market to price cattle at profitable levels if possible. Few people complain when cattle prices are increasing but most are perturbed when prices are decreasing. The producer who is hedged does not worry about prices. He or she just takes care of cattle.