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Livestock Seasonality: What it is and why it matters

It is the nature of things to be cyclical. Livestock supplies expand and contract with some regularity; prices shift from peaks to troughs and then back again; while the ebb and flow of meat consumption follows broader consumer eating patterns. **When the cycle follows a time frame that corresponds to a calendar we often talk about seasonality**. Fed cattle prices are high in early spring; hog prices are low in the fall. In some years seasonality is more pronounced than others. But it is something markets expect; something in the back of the mind of each trader. There are a number of reasons that explain why livestock markets are distinctly seasonal.

First, keep in mind we are dealing with **biological processes that have evolved over time and reflect the change in the seasons**. The majority of calves in the US are born during February, March and April for a reason. As weather improves the new born calves have a better chance of surviving and fresh grass in pastures helps both mother and calf recover quickly. Hog births (farrowings) are not as skewed during the year as cattle in North America, but they do vary and consequently the number of hogs coming to market also varies by month and week. Hog slaughter is by far the largest in the last quarter of the year, which helps explain why prices tend to hit annual lows around that time.

Weather effects extend much further than just the timing of births. Beef cattle spend the last six months of their life outdoor in feedlots. Extreme cold weather can take its toll on cattle weights and affects the supply of beef coming to market. Hogs, on the other hand, spend their time indoors but they have yet to discover the joys of air conditioning. Hot summer weather can be just as miserable for hogs as for people, it affects their ability to eat and carcass weights decline.

Consumer demand for meat products also reflects the changes in weather. Generally fast food sales are better in spring and early summer and they are worse over the winter. Also retail meat sales improve considerably during the spring with the start of the grilling season but they struggle in late summer when hot summer temperatures make grilling more of a chore than a pleasure. The price of cattle and hogs reflects the total value of the various meat cuts and by products less processing costs and margin. As the price of those cuts varies due to some of their seasonal variations, this is then reflected in what packers are willing to pay for livestock in the spot market.

It is particularly unique for live cattle, feeder cattle and lean hog carcasses that they are basically non storable commodities (compared to things like corn, gold, oil, etc.). Most beef and pork in the USA is sold fresh (chilled) and not frozen. So you cannot carry product easily from one time period to the next. This inability to easily move product from one time period into another tends to accentuate the seasonal tendencies for prices to change in the cash markets.

In the futures markets, prices reflect the seasonal effects. April 2016 live cattle futures are trading higher than the June 2016 contract because in the vast majority of years April cattle have a higher value than June.

However, even though the futures market tends to remove part of the seasonality in prices for the three contracts it often does not fully discount the full seasonal effects.

…And that is where opportunity can lift its head for both hedgers and speculators.