Historic Volatility in Feeder and Live Cattle Futures Prices

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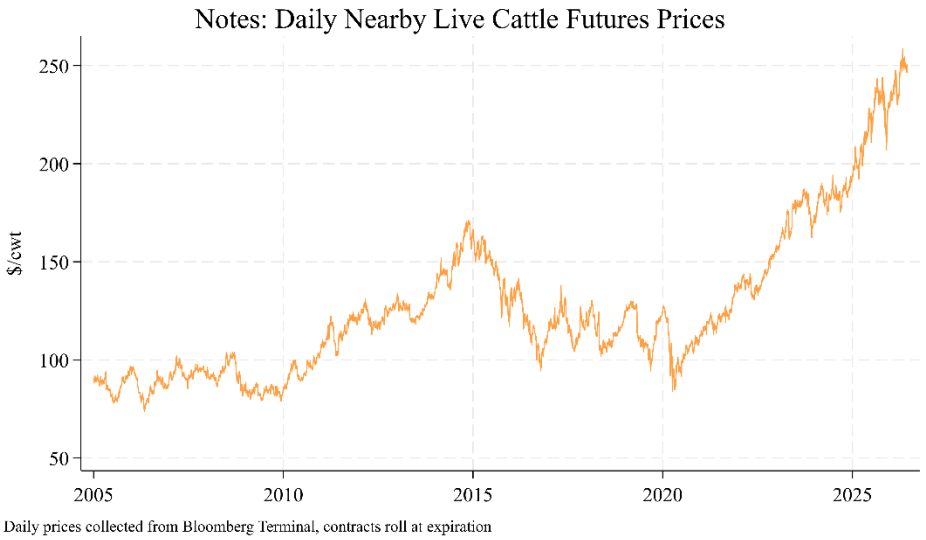
Due to strong consumer demand, tight cattle supplies, and geopolitical issues, the market has witnessed historically high US cattle prices over the past several months. Along with elevated prices have come large day-to-day and week-to-week moves in prices. Even though the general trend in cattle prices has been upward, short-term price moves create challenges for risk management and timing the sale of animals.



For example, producers using feeder cattle or live cattle futures contracts to hedge have experienced larger absolute margin requirements and margin calls than in past years. With these challenges, often come concerns about how well futures markets function and whether they "work". When comparing the current situation to past experiences, it is important to consider the not only the absolute magnitude of price moves but also relative magnitude.

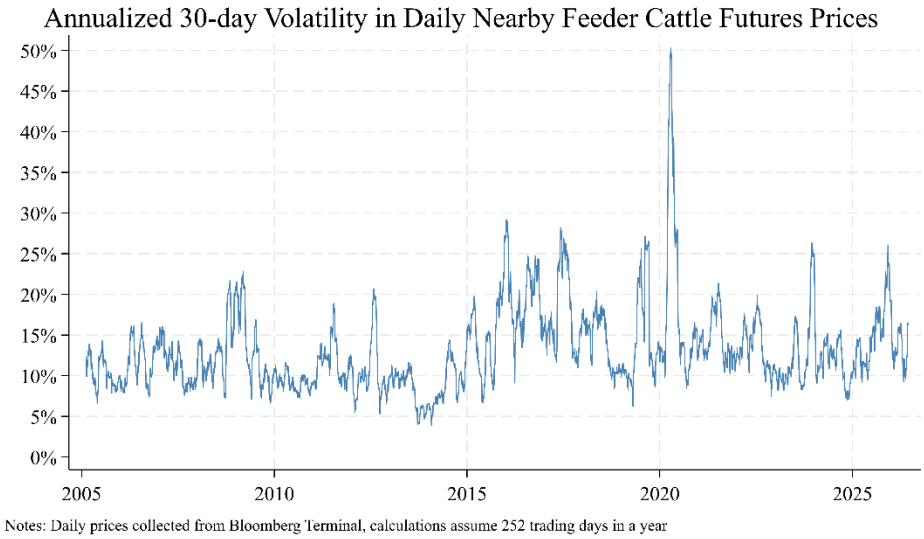
Annualized Volatility of Futures Prices

One measure that facilitates comparison of price fluctuations across commodities and time is historical volatility. Historical volatility is essentially the variability of the day-to-day percent changes in prices. The number of days considered can vary depending on whether there is interest in understanding short- or long-term volatility. The 30-day volatility of futures price is the standard deviation of the past 30 percentage changes in futures prices and is annualized based on how many trading days are in a year. As mentioned, an advantage of annualized volatility is that it is a relative measure and can be used to compare the price volatility across different commodity price series without concern regarding differing price units (e.g., cents per bushel or dollars per ton).

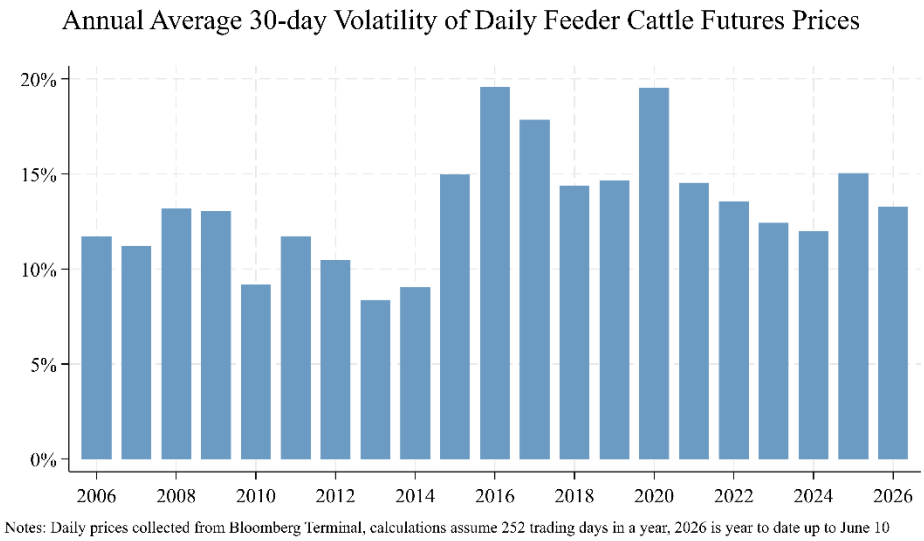
Likewise, annualized volatility can be used to compare volatility of prices for a single commodity across periods of different price levels.

Volatility in Feeder Cattle Futures Prices

The chart below shows the annualized 30-day volatility in the nearby feeder cattle fututres prices since 2005. The recent relative volatility in feeder cattle futures prices is not substantially different from past market behavior. For example, the years of 2015 and 2016 are noticeably more volatile than 2025.

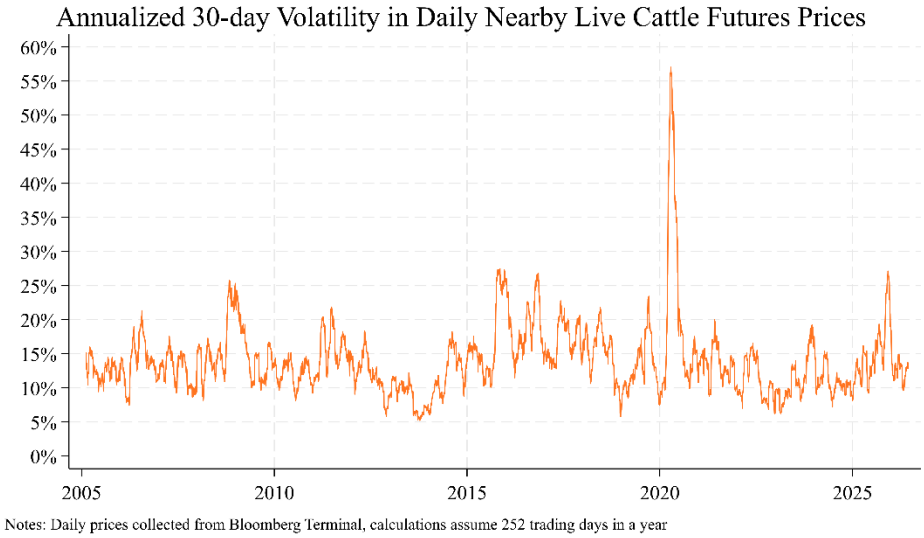


The picture of the rolling 30-day volatility provides a perspective of day-to-day price fluctuations. Averaging the 30-day volatility across longer time periods removes some of this short-term noise and gives a more aggregated picture of price risk. The next chart shows the annual averages of the 30-day volatilities. Note that 2026 is included but only includes prices up to June 10, 2026. The annual averages make it clear that, though 2025 and 2026 (year to date) have been volatile years, they are not dissimilar to feeder cattle futures price volatility from 2015 forward.



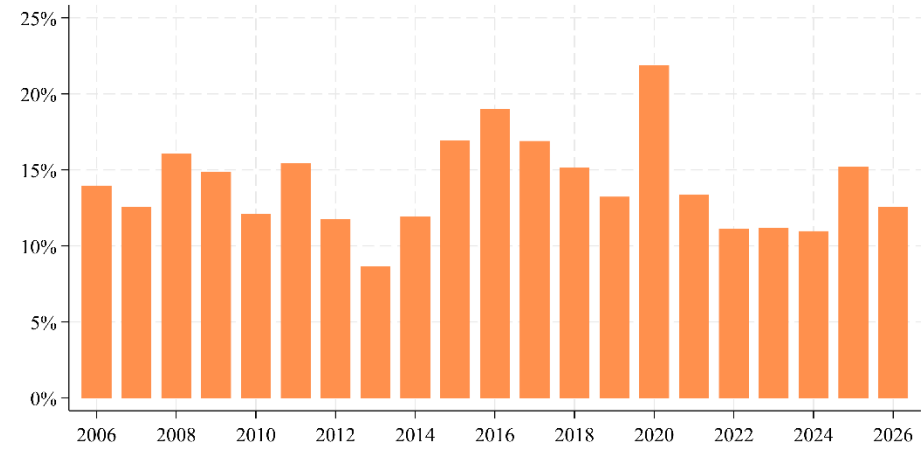
Volatility in Live Cattle Futures Prices

The charts below show the same measures for nearby live cattle futures prices.



Even more so than feeder cattle futures prices, the recent relative volatility of live cattle futures prices is comparable to what the market has experienced over the past twenty years, 2020 excepted.

Annual Average 30-day Volatility of Daily Live Cattle Futures Prices



Notes: Daily prices collected from Bloomberg Terminal, calculations assume 252 trading days in a year, 2026 is year to date up to June 10

Takeaways

The point of reporting relative volatilities is not to diminish the financial hardships producers might face due to elevated market uncertainty or large absolute price movements in livestock futures prices. These are serious challenges that operations must plan for and manage in order to survive.

A look at relative volatility in livestock futures prices over the past 20 years should provide some confidence that futures markets are functioning similarly to how they have functioned in the past. The large absolute price moves of the past couple of years are comparable, on a relative basis, with moves in years when there was lower-price environment.

The term *price volatility* is often used in negative light due to challenges that may come with it. However, it is important to remember that price volatility means that market prices are responding to information. There can be debate over the magnitude or appropriateness of a singular price response. However, having markets that respond to new information is a positive thing and helps ensure that prices are effective at the important task of signaling how valuable resources should be used.

Data Source

All futures price data were collected from Bloomberg Terminal. Nearby is defined as the most near active contract. A contract remains the nearby contract until its last trading day. Volatilities were calculated by the author. All data and calculations are available upon request.