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In The Cattle Markets

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Missing Reports

Last week appeared to bring no movement toward a resolution regarding the partial government shutdown. As such, several reports were not available, including the *World Agriculture Supply and Demand Estimates*, *Quarterly Grain Stocks*, *Winter Wheat and Canola Seedings* and weekly export sales. Next week will see the absence of the *Livestock Slaughter* and *Cattle on Feed* report, and if this shutdown goes into February, the semi-annual *Cattle* report will be affected.

The markets will continue to make assumptions about the content of these missing reports. The longer the lack of information prevails, the greater the market correction may be when the reports resume, especially if the reports say something different than the market assumed. The cattle markets care about last week's missing reports, because they gave the final information on the size of the 2018 corn harvest, the speed in which corn is being used, and the first hint of information regarding how many acres of each crop will be planted in 2019. The market is trading on old-information, a less-than-desirable situation.

The *WASDE* report likely would have shown a decrease in 2018 corn yield. Additionally, poor harvest conditions affected acreage as well as yield. The USDA would likely have lowered 2018 corn production from 14.626 billion bushels to around 14.545 billion bushels. The February report will begin to adjust the demand side of the equation and examine more closely whether usage estimates for ethanol or exports needs to be adjusted.

Corn demand appears to be strong, with exports appearing to be greater than USDA expectations and feed and residual usage likely up. Ethanol production has been low, but strength in other usage likely makes up for the lower ethanol production. The overall impact of these demand factors would likely have USDA keep usage constant in February.

As the year progresses, we will need information on acreage intentions to get a glimpse into long-term corn prices, but for now, expect corn price to continue to behave seasonally and increase until mid-April/early-May.

The Markets

Last week saw cattle futures come surging back, primarily on technically-driven trading. Although optimism over the potential end of the trade-war with China boosted some commodity prices. The trade war isn't over, but there is more light at the end of the tunnel.

Market-ready cattle supplies are up from last year. Expect the year-over-year increase to decline as the quarter goes on. As packer margins decrease, slaughter schedules may also decrease in the near term. Expectations are for continued strong domestic demand as unemployment remains low; however, there is no new news regarding exports.

| <i>Data Source: USDA-AMS Market News</i> | | Week of 1/11/19 | Week of 1/4/19 | Week of 1/12/18 |
|--|------------------------------------|----------------------------|---------------------------|----------------------------|
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$123.71 | \$122.55 | \$119.92 |
| | all grades, dressed weight, \$/cwt | \$196.78 | \$194.64 | \$191.72 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$213.70 | \$215.75 | \$209.61 |
| | Choice-Select Spread, \$/cwt | \$6.51 | \$6.09 | \$6.63 |
| 700-800 lb. Feeder Steer | Montana 3-market, \$/cwt | \$146.65 | -- | \$149.18 |
| | Nebraska 7-market, \$/cwt | \$151.41 | \$153.91 | \$153.14 |
| | Oklahoma 8-market, \$/cwt | \$144.00 | -- | \$144.53 |
| 500-600 lb. Feeder Steer | Montana 3-market, \$/cwt | \$177.36 | -- | \$179.29 |
| | Nebraska 7-market, \$/cwt | \$182.58 | \$181.75 | \$191.76 |
| | Oklahoma 8-market, \$/cwt | \$165.48 | -- | \$168.60 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$3.56 | \$3.63 | \$3.30 |
| | DDGS, Nebraska, \$/ton | \$155.00 | \$161.25 | \$145.50 |