

In The Cattle Markets

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Abundance Feedstuffs Lend Strength to Calf Prices

Friday's USDA NASS Acreage report showed 89.1 million acres of corn planted and 89.6 million acres of soybeans. The corn acreage is an increase from the 88.0 million acres of intentions from the March Prospective Plantings report. The record cold April transitioned into a record warm May for most of the upper Midwestern states. The slow start to planting finished on schedule and crop conditions are largely good to excellent. Harvest corn futures have decreased almost \$1 per bushel and cow-quality hay is clearly abundant. The only places in the country without much pasture are south and west of southwestern Kansas. The weakening feed market has translated into strengthening calf prices relative to the fed cattle and beef market. The overall protein market outlook is much the same as the beginning of summer: there is a lot of protein to come to market through the summer and fall – and no end to the potential trade gymnastics – but calf market outlook is holding strong largely because of cheapening feed.

The higher planted acreage and good feed crop conditions were largely revealed through June. The DEC18 corn contract decreased from the low-\$4s to the mid-\$3s the last half of the month. Therefore, the Acreage report was probably not much of a surprise. Further, it is the week of July 4th and the majority of the corn crop will be made at the end of this week – or for certain next. It seems unlikely there will be sufficient weather surprises for the rest of the summer to strengthen the feedstuffs markets. If anything there may be delayed maturity problems with the excellent moisture in the upper Midwest and eastern Corn Belt. This will be revealed much closer to harvest and I anticipate these to be minor and local. In the end this is good news for cow-calf producers. Risk management positions might be lightened while options still have considerable time-value.

However, longer term caution is still warranted. Cattle on feed numbers, slaughter weights, and competing meat volumes all remain substantial. Beef trade volumes are strong but one wonders if this is filling the pipeline early to avoid problems later. For the short-term though, the market is revealing the abundant supplies of feedstuffs.

The Markets

What do the technical say? DEC18 corn sits on support at \$3.60. This contract is a much-watch for beef producers. Continued weakness will be strength for feeder cattle. AUG and OCT live cattle are nibbling into resistance established in late April and tested in late June. This is a bullish signal but without much fundamental backing that I can see. The fall feeder cattle complex has broken resistance and this is a bullish signal. Similar to live cattle, resistance was established in late April and tested in late June. Support was established in early April and tested in mid-May. Feeder cattle have rallied off of support and broken resistance. Both are bullish signals.

<i>Data Source: USDA-AMS Market News</i>		Week of 6/29/18	Week of 6/22/18	Week of 6/30/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$106.87	\$108.74	\$118.64
	all grades, dressed weight, \$/cwt	\$169.90	\$173.21	\$189.95
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$215.00	\$218.65	\$230.64
	Choice-Select Spread, \$/cwt	\$14.29	\$16.42	\$17.80
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$151.50	--
	Nebraska 7-market, \$/cwt	\$163.85	--	\$169.54
	Oklahoma 8-market, \$/cwt	\$145.72	\$146.26	\$150.96
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	\$163.50
	Nebraska 7-market, \$/cwt	\$186.79	--	\$196.99
	Oklahoma 8-market, \$/cwt	\$162.50	\$165.36	\$166.07
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.31	\$3.42	\$3.32
	DDGS, Nebraska, \$/ton	\$115.00	\$130.00	\$98.50