

In The Cattle Markets
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Corn price impact on feeder cattle prices

Feeder cattle prices are determined by several factors, with feed price and fed-cattle price having the greatest impact. The corn price has typically had an inverse relationship to both fed and feeder cattle prices. This means, as the price of corn increases, the price of feeder cattle decreases. This assumes that all other factors have remained constant, including other feeding costs as well as fed-cattle price.

Since the beginning of May 2019, new crop corn prices have increased approximately \$0.70 on late planting and concerns over prevented planting. The USDA reports highlighting fundamental corn data on planting, yield and storage would indicate that corn price should be decreasing. The July 11 World Ag Supply and Demand Estimates reported the corn acreage at the June estimate of 91.7 million acres. Additionally, old crop stocks increased due to a reduction in export estimates.

The market obviously isn't believing the USDA data. On top of that disbelief, the July 15 crop progress report indicates corn is behind pace with only 17% silking and only 58% is rated in good to excellent condition. The uncertainty of the crop progress tends to support prices, and noncommercial continue to be net long. Although prices dropped on Monday, they may continue to move upward until the new planting expectation data is released in August.

What does this mean for cattle prices? One way to see how sensitive feeder cattle prices are across all weights is to look at price slides where only the price of corn changes. A 2018 study in *Western Economics Forum* by Schulz and Boetel utilized Wisconsin feeder cattle data to create price slides for beef and Holstein feeder cattle. The data used in the study indicates that premiums (discounts) for lightweight (heavyweight) beef steers are lower at high corn prices. This isn't a new finding. However, what is new is that the decrease in these beef steer price differentials is at an increasing rate as weight increases, i.e., the premiums for lightweight cattle will decrease faster than has historically been found in economic studies. Additionally, the 2018 study found that premiums (discounts) are greatest for lightweight (heavyweight) Holstein steers at low corn prices and price differentials lessen as corn prices increase. This means that at very high corn prices, heavyweight feeders bring premiums relative to lightweight feeders.

The corn market will continue to be volatile and any weather news will impact prices. Although cattle producers can't affect the corn price, understanding how changing corn price affects price slides can aid in management and marketing decisions.

The Markets

New crop corn price closed down on Monday. Heavy rains are creating transportation issues. Corn export inspections were lower than is needed to meet the USDA forecast.

Monday cattle prices look steady to slightly higher than last week. Live cattle futures prices are mixed. The anticipation of this week's Cattle on Feed report, along with last week's strong performance, may keep the market slightly bullish this week.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/12/19	Week of 7/5/19	Week of 7/13/18
5-Area Fed Steer	all grades, live weight, \$/cwt	\$113.37	\$111.24	\$110.50
	all grades, dressed weight, \$/cwt	\$182.87	\$180.09	\$174.05
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$214.64	\$219.28	\$206.48
	Choice-Select Spread, \$/cwt	\$23.08	\$23.83	\$8.97
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$147.81	--	--
	Nebraska 7-market, \$/cwt	\$161.19	\$152.00	\$165.81
	Oklahoma 8-market, \$/cwt	\$143.36	\$135.67	\$149.86
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$190.99	\$175.50	\$188.24
	Oklahoma 8-market, \$/cwt	\$155.96	\$154.94	\$165.41
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.52	\$4.39	\$3.29
	DDGS, Nebraska, \$/ton	\$145.50	\$140.50	\$106.00