

In The Cattle Markets

Josh Maples, Assistant Professor & Extension Economist
Department of Agricultural Economics, Mississippi State University

Cattle Market Overriding Themes

Large supplies, record exports, and trade concerns are just a few of the topics that have dominated the headlines in 2018. We are now fully transitioning into a primary calf selling time of the year for cow-calf producers and into an active buying time for stocker producers. I'm going to try to sum up a few of the more prominent factors affecting cattle markets and discuss how they could impact cattle prices this fall and beyond.

Larger beef production continues to put downward pressure on prices. Beef production rose by 6.4 percent in 2016 and 3.8 percent in 2017. Current forecasts suggest about a 4 percent increase in 2018, and 1.5 percent in 2019. Put it all together and that would be about a 16 percent increase in beef production in just four years. This would be the fastest four-year growth since 1973-1977. The increases are slowing, though. All signs are pointing to slower herd expansion in 2018 and 2019. With respect to the cattle cycle, recent cowherd trends suggest 2020 could potentially mark the end of the current U.S. cattle inventory build-up. It is important to note that this would not be the end of a cycle – just the increasing segment of the cycle.

While large supplies remain the biggest headwind to stronger prices, strong domestic and international demand for U.S. beef is providing price support. A strong domestic economy is supporting beef sales despite larger supplies of beef and also larger supplies of competing proteins chicken and pork. Internationally, robust exports have supported the demand profile for beef and, therefore, cattle. January through June exports were 14.7% larger than the same period in 2017 -- and 2017 was a great export year.

Feeder cattle prices have fared relatively better than live cattle prices this year relative to year-ago levels. Production and disappearance forecasts suggest 2018 fed cattle prices are expected to average 2 to 4 percent below 2017 while calf and yearling prices are expected to be very similar to 2017 levels. One driver is lower corn prices. The latest USDA estimates for corn production call for another big corn crop on top of already large supplies. This is providing support for feeder cattle prices as it makes it less expensive to add pounds.

Looking at the rest of 2018, feeder prices are expected to be a little lower than during the same period of 2017. We typically see seasonal feeder price declines heading into September and October and the large supplies of calves this year provide some reasoning for that seasonal pattern to hold this year. Looking beyond 2018, the slower herd growth numbers begin to paint a brighter price picture for 2019 and 2020. If the strong domestic economy maintains or grows and exports continue to gain steam, it is not difficult to project higher prices in the Fall of 2019 compared to Fall 2018.

The Markets

<i>Data Source: USDA-AMS Market News</i>		Week of 8/17/18	Week of 8/10/18	Week of 8/18/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$109.91	\$110.98	\$109.68
	all grades, dressed weight, \$/cwt	\$173.10	\$175.73	\$175.25
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$209.70	\$205.91	\$197.06
	Choice-Select Spread, \$/cwt	\$8.92	\$7.60	\$2.25
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$155.75	--	\$150.96
	Nebraska 7-market, \$/cwt	\$161.33	\$164.58	\$159.61
	Oklahoma 8-market, \$/cwt	\$150.65	\$152.62	\$144.87
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$165.24	\$180.76	\$164.04
	Oklahoma 8-market, \$/cwt	\$163.92	\$169.00	\$155.74
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.37	\$3.44	\$3.20
	DDGS, Nebraska, \$/ton	\$122.50	\$118.50	\$108.00