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In The Cattle Markets

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Hay Acres Revision Cause Outlook Prices to Edge Upward

The USDA NASS annual crop production report showed significant revisions to the hay acres harvested in 2016. Changes from the October crop report indicated a 7% (1.2 million) reduction in the number of alfalfa acres harvested and a 4% (1.5 million) reduction in all other hay acres harvested. Final acres showed South Dakota, Wisconsin and Iowa having more than 200 thousand acres taken out of alfalfa production. North Dakota, Ohio, South Dakota, Missouri, Kentucky, all had declines of 100 thousand acres or more in other hay acreage declines. New alfalfa seedlings for the 2017/18 marketing year are also continuing the long term trend downward, posting an 11% year over year decrease.

Despite large acreage revisions, December 1 hay stocks moved up slightly relative to last year by 1%, and production was unchanged from last year. Pasture and range conditions were excellent this year and very few problem areas in the plains region required supplemental feeding during the warm months. High numbers of wheat acres and low cost of gain also contributed to ample wheat grazing opportunities over the winter. Both of these factors allowed hay prices to continue to slip from last year's prices. Alfalfa prices have averaged nearly \$30 per ton below last year's price over this marketing year. Other hay prices have been even to slightly lower, averaging \$2 per ton lower.

Alfalfa and other hay prices have posted year over year declines since the 2012/2013 marketing year, but still remain above the historical long term average prior to that drought year. If disappearance remains light for the second half of this winter, alfalfa prices are expected to post another year over year decline in prices, while other hay prices are expected to be even. The loss or continued loss of hay acres to other crops make it unlikely this short term trend of price declines will continue. In the 2000's alfalfa prices averaged \$115 per ton annually, a figure prices have not seen since 2009/10. Other hay prices averaged \$91 per ton over that same decade, an annual average season price not seen since 2005/06. Hay stocks are also much lower than they have been in previous decades. December 1 hay stocks 2001-2010 averaged about 105 million tons, compared to 2011-2016, averaging 92 million tons. Tighter supplies mean drought or poor pasture and range conditions can aggressively move prices upward. Cattle feeders and dairymen alike should expect hay prices to average higher, but still are very much dependent on regional weather events.

The Markets

The Choice-Select spread continued to narrow this week, down \$4.80 per cwt from the week before. This is the fifth consecutive week of declines in the choice-select spread and lowest value since October 2015. Feeder steer prices showed weakness in 700-800lb category in

Nebraska and Oklahoma, both down 1% from last week. Fed cattle prices are up 1% from last week but still down about 10% from last year.

| <i>Data Source: USDA-AMS Market News</i> | | Week of 1/13/17 | Week of 1/6/17 | Week of 1/15/16 |
|--|------------------------------------|----------------------------|---------------------------|----------------------------|
| 5-Area Fed Steer | all grades, live weight, \$/cwt | \$118.82 | \$117.67 | \$133.25 |
| | all grades, dressed weight, \$/cwt | \$189.75 | \$187.97 | \$209.56 |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$192.00 | \$201.83 | \$234.67 |
| | Choice-Select Spread, \$/cwt | \$3.41 | \$8.21 | \$6.20 |
| 700-800 lb. Feeder Steer | Montana 3-market, \$/cwt | \$130.01 | \$125.60 | \$152.89 |
| | Nebraska 7-market, \$/cwt | \$137.63 | \$139.31 | \$160.68 |
| | Oklahoma 8-market, \$/cwt | \$131.98 | \$132.95 | \$160.67 |
| 500-600 lb. Feeder Steer | Montana 3-market, \$/cwt | \$157.56 | \$147.03 | \$192.93 |
| | Nebraska 7-market, \$/cwt | \$164.83 | \$160.16 | \$198.13 |
| | Oklahoma 8-market, \$/cwt | \$149.70 | \$143.26 | \$190.53 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$3.34 | \$3.37 | \$3.40 |
| | DDGS, Nebraska, \$/ton | \$108.60 | \$110.00 | \$135.30 |