

In The Cattle Markets

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Low Steer Slaughter Fuels Spring Cattle Prices

A nice Spring (or we might say late winter) rally has had fed cattle in the upper \$120s for most of the last 8 weeks. While a first reaction might be “well, its Spring and we usually get a grilling season demand bump” there is a supply contribution to this story. Steer slaughter has been below a year ago while heifer and cow slaughter have been boosting beef production.

After January steer slaughter was up 5.5 percent, February steer slaughter was 2.1 percent below that of February 2017. March is even with a year ago, through mid-month including an estimate of steer slaughter using the preliminary data.

Heifer slaughter is up about 5.5 percent for the year to date. In contrast to steer slaughter, heifer slaughter was up 7.8 percent in February. Thinking back to the last cattle on feed report that split out the on-feed data into steers and heifers, there were 15.9 percent more heifers on feed January 1 of this year ago compared to last year. More beef and dairy cows have moved to market this year, with beef cow slaughter up 11.5 percent and dairy cow slaughter up 4.3 percent.

Weights contribute to beef production along with slaughter numbers. So far this year steer dressed weights are up about 2.5 pounds over last year, while heifer weights are up 7.2 pounds. Cow dressed weights are up 13.3 pounds. Heifer dressed weights are 56 pounds less than steer dressed weights. The mix of animals going to market is an important part of this spring rally in prices. Relatively more heifers and cows than steers is working to moderate beef production, which is only up 2.5 percent so far, this year. Beef from cull cows is certainly destined for different products and different markets than beef from fed steers and heifers. Relatively tighter supplies of beef from steers has contributed to smaller growth in beef production and the recent rally in cattle prices. The expectation of growing steer and heifer supplies is contributing to falling live cattle prices on the futures market.

A quick note on this week’s cattle on feed report. My pre-report estimates are for marketings to be 101.3 percent, placements at 101.0 percent, and cattle-on-feed to be 107.8 percent of a year ago. Recent feeding profits and good demand for cattle would encourage placements. It wouldn’t be a surprise to see larger placements in the Southern Plains due to the worsening drought.

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The Choice beef cutout finished the week over \$225 per cwt leaving the Choice-Select spread at about \$7 per cwt. While the cash fed cattle market was in the \$126-\$128 range, many reports indicated calf and feeder prices slipping from the week before. Both the live cattle and feeder cattle futures contracts continued to give up ground dramatically during the week.

<i>Data Source: USDA-AMS Market News</i>		Week of 3/16/18	Week of 3/9/18	Week of 3/17/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$127.91	\$126.79	\$128.64
	all grades, dressed weight, \$/cwt	\$205.47	\$203.88	\$207.94
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$224.46	\$223.63	\$221.56
	Choice-Select Spread, \$/cwt	\$7.58	\$7.78	\$8.02
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$142.04	\$149.54	\$132.96
	Nebraska 7-market, \$/cwt	\$154.41	\$156.69	\$140.44
	Oklahoma 8-market, \$/cwt	\$146.83	\$148.13	\$134.19
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$186.56	\$187.20	\$163.57
	Nebraska 7-market, \$/cwt	\$191.35	\$190.60	\$167.91
	Oklahoma 8-market, \$/cwt	\$175.51	\$181.37	\$157.19
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.59	\$3.68	\$3.24
	DDGS, Nebraska, \$/ton	\$151.00	\$150.50	\$93.50