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In The Cattle Markets

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Calf Price Rally and a Crop Production Report

The Spring rally in fed cattle price, Choice, and Select beef cutout values has extended into the calf and feeder market. Number 1, 5-600 pound steers in the Southern Plains have crept up from about \$148 in early January to over \$165 by the end of March. Calves of these weights typically rise in the Spring. Much of this seasonal increase is a supply driven phenomenon in that there are fewer calves of those weights around at this time of the year.

Heavier feeder cattle (7-800 pound) prices in the Southern Plains have increased about \$8 per cwt this Spring. But all that increase occurred in March. Both supply and demand for calves play a role in spring time prices. Over the next couple of months, supplies will be increasing as these feeders come off wheat and other pastures. On the demand side, feedlot's demand for feeders will be affected by fed cattle and feed prices. Deferred futures for fed cattle that will finish later in the summer remain around \$107. Feeder cattle and lighter calf prices will be pressured by fed cattle prices (and their rally duration) and increasing supplies on the market.

Speaking of feed prices, USDA released its prospective plantings report. Low feed prices, record large production, and large stocks are fueling record large meat production this year. Corn acres were estimated to be 89.99 million acres, down about 4 million acres on corn prices that are likely below many farmer's production costs. An estimated 89.5 million acres are estimated to be planted to soybeans (up 6 million acres), on better soybean prices relative to corn. The report came very close to indicated more acres planted to soybeans than corn for the first time ever. (I think the trend of acres planted to soybeans and corn is one of the more interesting changes in long term U.S. agriculture.)

After the crop is planted crop development and weather will begin to affect prices. Fewer planted acres of corn will likely begin to result in higher corn prices. Developments in feed prices this summer will affect calf and feeder prices later in the year.

The Markets

Fed cattle declined a couple dollars per cwt at the end of March compared to the week before. It was a mixed bag on heavier feeder steers with higher prices in Montana and lower prices, generally, in Nebraska and Oklahoma. As is often the case, calf prices jumped up with recent much needed rains. The beef cutout dropped sharply, especially as the week went on.

<i>Data Source: USDA-AMS Market News</i>		Week of 3/31/17	Week of 3/24/17	Week of 4/1/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$127.38	\$130.91	\$133.83
	all grades, dressed weight, \$/cwt	\$205.01	\$210.99	\$214.83
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$217.15	\$223.12	\$222.46
	Choice-Select Spread, \$/cwt	\$7.36	\$7.82	\$9.55
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$143.56	\$137.58	\$158.05
	Nebraska 7-market, \$/cwt	\$140.69	\$142.46	\$165.54
	Oklahoma 8-market, \$/cwt	\$137.69	\$137.16	\$159.11
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$173.69	\$172.53	\$189.72
	Nebraska 7-market, \$/cwt	\$172.60	\$170.68	\$205.70
	Oklahoma 8-market, \$/cwt	\$160.74	\$160.76	\$192.42
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.22	\$3.18	\$3.35
	DDGS, Nebraska, \$/ton	\$98.00	\$96.00	\$131.00