

## In The Cattle Markets

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### Corn and Soybean Market Update: Acres and Inventories

The United States Department of Agriculture's National Agricultural Statistics Service (USDA-NASS) recently released two highly anticipated reports for the crop sector one week ago, on Tuesday, March 31. The first was the annual *Prospective Plantings* report, which highlights crop producer's intentions on acreage allocations. The second was the quarterly *Grain Stocks* report.

The plantings report revealed that U.S. producers plan to plant 89.199 million acres of corn and 84.635 million acres of soybeans. These are the two dominant crops in the U.S. and are, typically, the most important within the livestock sector. The *Prospective Plantings* report also indicated that producers intend to plant 14.616 million acres of spring wheat in addition to the 40.751 million acres of winter wheat that were planted this past fall, while cotton acres are expected to fall to 9.549 million. Producers are polled from late February through early March to determine these acreage intentions.

Planned corn acres were higher than market analysts had expected (88.731 million acres), while soybean acres were below expectations (85.919 million). This resulted in a large price move for both crops within the trading day, with corn experiencing the larger swing. Price dynamics, for the most part, have not provided a clear path for crop producers in choosing one crop or another. The ratio between soybean and corn price has historically averaged 2.25, from 1995 to 2014, in the weeks leading up to planting (determined here as: November soybean futures divided by December corn futures, both during the entire month of February). This year's ratio was very near this average at 2.30, and therefore very little direction from market prices was evident. Most likely, producer's gauged anticipated crop returns, risks – both market risks and production risks, and their own stage for rotating crops to guide their planting decisions in 2015. However, heavy and prolonged rains during the month of March in the deep south have idled planters at a time when corn is typically going into the ground.

On that same day, USDA-NASS released the quarterly snapshot of grain inventories, both in elevators as well as in on-farm storage facilities. The stocks report was somewhat overshadowed by the *Prospective Plantings* report, however, it held very interesting trends. Corn in storage in the U.S. as of March 1, 2015 totaled 7.745 billion bushels, which was composed of 4.380 billion on farms and 3.364 billion in elevators. Soybeans in storage totaled 1.334 billion bushels, with 0.609 billion on farms and 0.725 billion in elevators. The on-farm soybean inventory marked a 59.5% increase over last year and on-farm corn storage was up 13.5% year-over-year. Furthermore, March 1 on-farm inventories were up 21.5% and 24.1%, for soybeans and corn compared to the prior five-year average covering 2010 to 2014.

The signal of higher on-farm storage first appeared in the previous quarter's (i.e., December 1, 2014 inventories) report as soybean and corn storage increased 27.5% and 11.1%, respectively compared to the previous year. So, it appears crop producers are holding onto to more grain and this seem logical due to the fall in prices through the 2014 growing season. Prices to this point have remained lower with only limited encouragement to sell. The question to bear moving forward is, when will producers release this grain and what impact will that have on the market? A slow pace of farmer selling will have a smaller impact than a rushed move, but the clock is ticking until those on-farm storage facilities will be needed for the 2015 crop.

## The Markets

Cash fed cattle were higher last week. The five-area fed steers price ended the week at \$167.57 per hundredweight, live, and \$265.64, dressed; respectively, up \$2.00 and \$3.49 compared to the previous week. In Oklahoma auctions, heavy feeder steers were mostly steady, while light feeders were about \$3 per hundredweight lower. Wholesale Choice boxed beef ended the week with an average price of \$254.55 per hundredweight, up \$5.63. Corn prices in Omaha shook off the reports and ended the week just a few cents lower.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 4/3/15</b>	<b>Week of 3/27/15</b>	<b>Week of 4/4/14</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$167.57	\$165.57	\$149.71
	all grades, dressed weight, \$/cwt	\$265.64	\$262.15	\$240.09
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$254.55	\$248.92	\$232.13
	Choice-Select Spread, \$/cwt	\$5.31	\$3.16	\$10.05
<b>700-800 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$227.24	\$224.59	--
	Nebraska 7-market average, \$/cwt	\$238.19	\$230.88	\$190.93
	Oklahoma 8-market average, \$/cwt	\$220.21	\$219.74	\$178.70
<b>500-600 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$289.76	\$287.05	--
	Nebraska 7-market average, \$/cwt	\$286.09	\$289.97	\$230.15
	Oklahoma 8-market average, \$/cwt	\$282.57	\$285.50	\$214.07
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.83	\$3.89	\$4.81
	DDGS Price, Nebraska, \$/ton	\$175.00	\$174.25	\$235.00