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In The Cattle Markets

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Corn and Soybean Market Update: Acreage Sets the Market's Tone

The USDA released their annual Prospective Plantings report and their quarterly Grain Stocks report on March 31, 2016. The Prospective Plantings report uses the results of producer surveys from late February through early March estimate acreage allocation of various crops in each state (and the nation). The stocks report summarizes the level of grain inventories in terminal elevators and on farm grain bins. These two reports typically set the tone of the corn and soybean markets at least through the spring months.

The plantings report revealed that U.S. producers intend to plant 93.601 million acres of corn this summer, up 6 percent from last year's 87.999 million acres and more than 2.6 million acres higher than even the highest trade estimate. Corn prices immediately reacted by dropping 16 cents the same day the report was released. During the time since the report came out, the markets have recovered about half of the 16 cents that were lost. Supplies of corn were in-line with expectations. All corn stocks were up 1% from a year ago at 7.81 billion bushels while corn held on-farms was down 1% versus last March. While on-farm corn storage is down from a year ago, it is still historically a large quantity of corn sitting in grain bins. When combined with increased planted acres, we could see a lot of corn hitting the markets sometime this summer as producers empty the bins in preparation for a large fall harvest; further pressuring prices.

U.S. producers are planning on planting 82.236 million acres of soybeans this summer, down slightly less than 1 percent last year's 82.65 million acres. This came in about 800,000 acres lower than the average trade estimate. All soybean stocks were up 15% from a year ago at 1.53 billion bushels while on-farm soybeans stocks are up 19%. This marks the second consecutive year of sharp increases in soybean storage. Last year, we saw a 59% increase in the amount of soybeans stored on-farm when compared to 2014.

So what impact did this report have on cattle markets? In short, more corn usually means lower corn prices, which in turn helps cattle feeders. The same day the report came out, nearby feeder futures closed up \$5/cwt, and the acreage report was likely the primary driver of the increase. There are a few things to keep in mind moving forward, however. First, while the USDA's estimates are typically the most reliable numbers available, they are not perfect. Final acreage numbers are frequently plus or minus one million acres from the Prospective Plantings estimates, and springtime planting conditions can significantly impact final acreage. Over the weekend, some areas received snow in parts of the Midwest, while much of the South is expecting rain. If these cold, wet weather patterns continue much longer we could start to see planting progress impacted; which in turn could change final acreage numbers.

The Markets

The five-area fed steer price ended the week averaging \$133.90 for live sales, and \$214.81 for dressed; respectively, up \$0.07 and down \$0.02. Nebraska feeder cattle were trading \$4.00 to \$7.00 lower on the week with 500-600 pound steers averaging \$198.94 and 700-800 pound steers averaging \$165.60. Corn was \$0.12 higher on the week trading at \$3.46/bu in Omaha on Thursday.

<i>Data Source: USDA-AMS Market News</i>		Week of 4/8/16	Week of 4/1/16	Week of 4/10/15
5-Area Fed Steer	all grades, live weight, \$/cwt	\$133.90	\$133.83	\$164.34
	all grades, dressed weight, \$/cwt	\$214.81	\$214.83	\$261.56
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$216.21	\$222.46	\$257.50
	Choice-Select Spread, \$/cwt	\$9.43	\$9.55	\$6.26
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$156.21	\$158.05	\$223.13
	Nebraska 7-market, \$/cwt	\$165.60	\$165.54	\$225.62
	Oklahoma 8-market, \$/cwt	\$156.17	\$159.12	\$219.87
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$189.07	\$189.72	\$276.12
	Nebraska 7-market, \$/cwt	\$198.94	\$205.70	\$287.66
	Oklahoma 8-market, \$/cwt	\$188.66	\$192.42	\$283.05
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.47	\$3.35	\$3.73
	DDGS, Nebraska, \$/ton	\$130.00	\$131.00	\$177.25