

## In The Cattle Markets

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### Summer and Fall Cattle Markets

Weekly live cattle cash prices have remained relatively strong amid the market setting discussed in this newsletter last week. The continued rally in the cutout suggests strong beef demand in the near-term. Similarly, feeder cattle prices have been stronger in many regions over the past few weeks. However, there is more uncertainty in the summer and fall months for both live and feeder cattle prices.

Cattle futures prices declined over the past week and a half after rallying at the end of March and into early April. The June live cattle contract closed above \$125 on April 7<sup>th</sup> but has since posted eight consecutive days of declines and closed below \$119 in trading today. The summer and fall month contracts experienced larger declines than the winter and spring 2022 contracts. Feeder cattle futures have also been on a decline over the past few weeks. The May contract closed today about \$10 lower than on April 7<sup>th</sup>. Similarly, the fall contracts are back into the low to mid \$150s after spending a few days above \$160.

The next cattle on feed report is set for release this Friday and is likely to contain some eye-popping year-over-year comparisons as the March 2021 data will be positioned against March 2020 data when covid disruptions were in full effect and placements were very low. While placements are nearly certain to be higher than a year ago, just how much higher is the big question. Very large placement totals in March 2021 could lead to larger than expected totals of market-ready live cattle this summer. The recent declines in summer month live futures may be reacting to this possibility.

Grain prices continue to be elevated and will likely remain a headwind to market rallies for feeder cattle. While still very early in the year, the recent prospective plantings report did not suggest significant declines in corn prices this year. Currently, one would have to look all the way to the September 2022 to find a corn futures contract trading below \$5 per bushel.

Drought and pasture conditions are the biggest concern, especially for regions facing exceptional drought. Drought conditions are widespread in the western U.S. with Southwestern states facing large swaths of D4 “Exceptional drought.” Conditions are similar in much of Colorado, Utah and surrounding states. Drought conditions in the Northern Plains have worsened and are leading to difficult herd liquidation decisions for many producers. Whether the drought conditions expand or recede over the next few weeks will be important to forage conditions throughout the Great Plains region.

Despite the recent declines in futures prices, there remains cautious optimism in cattle markets this year. The expectation of tightening supplies and a strong beef demand profile

provide some optimism for stronger markets this year. However, there are still many factors to watch closely.

## The Markets

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 4/16/21</b>	<b>Week of 4/9/21</b>	<b>Week of 4/17/20</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$122.03	\$122.01	\$102.28
	all grades, dressed weight, \$/cwt	\$195.54	\$195.30	\$157.18
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$273.42	\$266.08	\$231.58
	Choice-Select Spread, \$/cwt	\$5.91	\$9.23	\$11.07
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$149.87	\$140.00	\$124.63
	Nebraska 7-market, \$/cwt	\$151.78	\$155.64	\$136.26
	Oklahoma 8-market, \$/cwt	\$144.28	\$144.87	\$121.27
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$185.82	\$177.24	\$163.08
	Nebraska 7-market, \$/cwt	\$180.26	\$183.95	\$161.92
	Oklahoma 8-market, \$/cwt	\$172.16	\$173.40	\$148.79
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$5.91	\$5.79	\$3.02
	DDGS, Nebraska, \$/ton	\$207.50	\$210.00	\$212.50