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## **In The Cattle Markets**

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### **A Nice “Second Spring” Rally is Under Way**

After touching \$130 per cwt back in February, the fed cattle market dropped dramatically into the \$110s. The early Spring rally appears to be giving us a second act. Cash fed cattle prices ranged from \$124 to \$126 to end last week. That leaves fed cattle up a good \$8 per cwt during April.

Higher cutout values are feeding into higher fed cattle prices. The Choice beef cutout started this week at \$224.50, up \$13 in the last 7 week days. The Choice cutout is about \$5 above this point a year ago, while fed cattle prices are about \$12 below this point last year. That has resulted in a live-to-cutout price spread more than \$100 per head greater than April 2017. The Choice-Select spread is widening, seasonally, as the Choice cutout has increased faster than the Select cutout.

I think it’s worth remembering that winter, in the form of snow storms, and wet, cold weather has lingered on in much of the country throughout April. That has likely delayed beef orders and featuring heading into grilling season. There is some evidence of a rapid spike in beef orders for retail featuring over the next several months. The rib and loin primal cut values are pulling the cutout higher with both primals up over \$20 in the last week.

Through April, steer slaughter remained less than half a percent higher than year ago. Increasing fed beef supplies has come largely from heifers. Heifer slaughter has been over 12 percent greater than a year ago. Weights are higher than a year ago for steers and heifers, with federally inspected steer dressed weights up almost 20 pounds and heifer weights up 10 pounds. Both Steer and heifer weights are declining seasonally with some weeks time remaining before their normal low for the year.

While we might be in the midst of a second Spring price rally, the market is doing this in the face of growing supplies. Larger numbers of cattle on feed indicate that even more cattle and beef are to come to market in coming months. Fortunately, slaughter increases have come from heifers and cows rather than relatively heavier steers, but that is likely just a function of timing and more steers are coming.

The same wet, cold weather that may have delayed some beef demand has also delayed some planting. Farmers indicated to USDA that they intended to plant fewer corn acres this year. Fewer acres combined with early weather have led to some higher corn prices both now and in harvest-time futures. While it’s early, this will be worth monitoring.

## The Markets

The Choice beef cutout finished the week over \$221 per cwt leaving the Choice-Select spread at about \$17 per cwt. The cash fed cattle market climbed a couple of dollars to the \$124-\$126 range. Some local markets indicated some gains in calf prices. Clearly the hides and offals market (drop credit) are not helping cattle prices, having fallen below \$10 per cwt, a full \$2 per cwt below a year ago.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 4/27/18</b>	<b>Week of 4/20/18</b>	<b>Week of 4/28/17</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$123.73	\$121.71	\$136.22
	all grades, dressed weight, \$/cwt	\$196.21	\$191.84	\$216.45
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$218.62	\$211.78	\$219.56
	Choice-Select Spread, \$/cwt	\$15.47	\$12.43	\$13.43
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$148.88	\$151.42	\$149.78
	Nebraska 7-market, \$/cwt	\$154.83	\$154.18	\$157.62
	Oklahoma 8-market, \$/cwt	\$146.32	\$143.87	\$144.48
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$186.67	\$179.20	\$185.13
	Nebraska 7-market, \$/cwt	\$190.72	\$190.13	\$190.47
	Oklahoma 8-market, \$/cwt	\$168.40	\$169.63	\$167.13
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.74	\$3.68	\$3.41
	DDGS, Nebraska, \$/ton	\$170.00	\$168.50	\$103.25