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In The Cattle Markets

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Beef Production Surges in April

Spring sprung early this year as fed cattle prices have dropped sharply from their highs in early Spring. Texas-Oklahoma fed cattle prices averaged \$139.05 for the week of March 20, 2016. A month later they averaged \$126.87, down 9.1 percent. Cattle moved lower to end the month quoted at \$124, for a full 10.8 percent decline. One of the important factors at work in lower prices is beef production.

Beef production is made up of two parts, the number of cattle slaughtered and their weights. Steer and heifer slaughter in April 2016 was up an estimated 1.8 percent over the year before. The final daily slaughter data through April 16 indicated that while steer slaughter is above a year ago, heifer slaughter is lower than in April 2015.

Dressed weights continued to decline seasonally. Steer weights were the lowest, at 878 pounds, of the year so far, and the lowest since July 2015. But they remained above a year ago by 6 pounds. Heifer weights did increase by 2 pounds to 820 pounds, but except for the previous week were the lightest since September 2015.

The combination of the number of head and weight per head pushed estimated beef production for the last 5 weeks to about 2.3 billion pounds, up 6.2 percent from last year. The 485 million pounds for the week ending April 30 was the largest weekly beef production since the week ending October 17, 2015.

Increasing beef production is certainly pressuring cattle prices, which in turn is pressuring feeder and calf prices lower. But there are a few things that may provide some support to cattle prices going forward. One, it appears that cattle are being pulled ahead to market sooner. The number of cattle on feed more than 120 days has fallen below year ago levels. Pulling cattle ahead can reduce the number ready for slaughter later in the Spring and Summer. Weights are declining seasonally. Beef by-product values have been increasing, up nearly \$1 per cwt. in the last 2 months. The live-to-cutout spread was the third largest weekly estimated figure, at \$257 per head, going back to 1991.

While there might be some good reasons for higher cattle prices coming soon, the reality is lower prices now. Large beef production is a major culprit in lower cattle prices. The long term trend is for more beef production and lower prices as cattle numbers expand.

The Markets

The fed cattle market gave up another almost \$3 last week to end at \$123.79. The wholesale boxed beef market dropped another \$7. Compared to a year ago the live market has declined by a larger percentage than the cutout. Digging deeper into the cutout value reveals that the middle meats that led the brief spring price rally have led the market lower. For the most part, calf and feeder markets were down as well. Not much change is evident in the feed market compared to a year ago in corn prices, but DDGS continues to be dramatically lower than a year ago.

<i>Data Source: USDA-AMS Market News</i>		Week of 4/29/16	Week of 4/22/16	Week of 5/1/15
5-Area Fed Steer	all grades, live weight, \$/cwt	\$123.79	\$126.45	\$160.69
	all grades, dressed weight, \$/cwt	\$194.16	\$200.68	\$254.78
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$215.51	\$222.27	\$256.94
	Choice-Select Spread, \$/cwt	\$9.20	\$9.00	\$11.08
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$146.78	\$146.00	\$222.15
	Nebraska 7-market, \$/cwt	\$149.88	\$155.07	\$230.87
	Oklahoma 8-market, \$/cwt	\$144.39	\$149.24	\$219.32
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$176.03	\$185.61	\$282.87
	Nebraska 7-market, \$/cwt	\$183.25	\$181.56	\$296.91
	Oklahoma 8-market, \$/cwt	\$169.72	\$173.35	\$270.53
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.64	\$3.62	\$3.65
	DDGS, Nebraska, \$/ton	\$128.00	\$124.00	\$173.60