

## In The Cattle Markets

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### First Look at the 2015 Corn Crop

The United States Department of Agriculture's World Agriculture Outlook Board released their monthly *World Agricultural Supply and Demand Estimates* report (WASDE) today, May 12, 2015. The May report is always viewed with extreme importance since it relays USDA's first projections for summer crops -- using both subjective and objective information available at the time of the projection.

The 2015 corn crop is currently estimated to yield 166.8 bushels per acre, compared to last year's record yield of 171.0 bu/ac. USDA provided the following within the WASDE report with respect to their 2015 corn yield estimate:

“Projected [corn] yield [is] based on a weather adjusted trend model that assumes normal mid-May planting progress and summer weather. The trend yield is not adjusted for this year's rapid planting pace as more than 90 percent of yield variability is determined by July weather.”

In previous years, the report has taken into account planting progress and current weather information, however these were not included for this year. Drs. Irwin, Good, and Sanders provide a comprehensive explanation of USDA yield estimates in their April 30, 2015 *farmdoc daily* commentary<sup>1</sup>.

Based on the March *Prospective Plantings* report acreage estimate of 89.2 million corn acres, and taking into account a normal amount of acres that are not harvested, corn production is projected at 13.630 billion bushels. This would be 586 million bushels less than last year's record level of production, or a 4.1% decline from 2014. Corn consumption for the year is estimated to be 13.760 billion bushels. This is composed of 5.30 billion for feed and residual use, 5.20 billion for used for ethanol production, 1.36 billion for other industrial and seed use, and 1.90 billion to export markets.

Expected corn used for feed, which is the bulk of the “feed and residual” category, was increased 50 million bushels. Using some assumptions of a normal and current feeding process<sup>2</sup>, the amount of corn needed to finish a typical feedlot calf is about 55 bushels. If 60% of the “feed and residual” corn is used to feed cattle in feedlots, then roughly 545,000 additional head will be fed during the corn marketing year (which runs from September

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<sup>1</sup> Irwin, S., D. Good, and D. Sanders. “[Understanding and Evaluating WAOB/USDA Corn Yield Forecasts.](#)” *farmdoc daily* (5):79, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 30, 2015.

<sup>2</sup> 750 pound cattle entering the feedlot; 1,400 pound cattle leaving the feedlot; 4.8 pounds of corn for each 1 pound of gain; and 56 pounds of corn per bushel

through August, so not a calendar year). This of course supports the notion that expansion has been underway in the beef industry and these cattle will be entering feedlots from September 2015 to August 2016, with the majority of these toward the end of the corn marketing year. Further down in the report, USDA provided insight on beef production and here they estimate that 24.505 billion pounds of beef will be produced in 2016, up 231 million pounds versus 2015. At 600 pounds of beef per carcass, this equates to 385,000 additional head of cattle in 2016. But again, the calendar year used with beef estimates and the corn marketing year are not aligned.

The amount of corn that is expected to be carried over from the 2015 growing season totals 1.746 billion bushels. The current corn carry-over (the amount from the 2014 growing season carried over to this year) is estimated at 1.851 billion bushels. This is much improved from the very tight carry-over levels of 989 million and 821 million experienced in from the 2011 and 2012 crop years, respectively. This is why corn prices have fallen to the current mark that is hovering just below \$4 per bushel.

Prior to the report being released, the average of market analysts' predictions for the 2015 crop carry-over amount was 1.752 billion bushels and they looked for old, 2014, crop carry-over to be 1.864 billion bushels. Both of these were very near the reported values. As has become expected on a day when such an important report is released, futures trading started the day in limbo. Following the report's release corn futures moved higher reflected the smaller carry-over amounts. Also of note, the market started the day digesting the *Planting Progress* report, released late Monday afternoon, which showed plantings to be moving a very quick clip.

As noted in USDA's footnote regarding their yield estimate, early season events -- both planting progress and weather -- typically have minimal bearing on final corn yield. Even so, it would come with little surprise if commentary and other forms of media do not criticize USDA for not taking the fast pace of planting into consideration with their first yield and production estimate.

## The Markets

Cash fed cattle were higher last week. The five-area fed steers price ended the week at \$161.93 per hundredweight, live, and \$256.03, dressed; respectively, up \$1.24 and \$1.25 compared to the previous week. Demand for feeder cattle as summer grazing ramps up has been noticeable in recent weeks. However, markets were mixed with Oklahoma auctions reporting higher prices, while Nebraska markets were lower. Wholesale Choice boxed beef ended the week with an average price of \$256.61 per hundredweight, down \$0.33. The spread between Choice and Select carcasses crept higher, a normal occurrence at this time of the year. Cash corn prices in Omaha were steady last week.

		<b>Week of 5/8/15</b>	<b>Week of 5/1/15</b>	<b>Week of 5/9/14</b>
<i>Data Source: USDA-AMS Market News</i>				
<b>5-Area Fed Steer Price</b>	all grades, live weight, \$/cwt	\$161.93	\$160.69	\$148.20
	all grades, dressed weight, \$/cwt	\$256.03	\$254.78	\$236.42
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$256.61	\$256.94	\$226.57
	Choice-Select Spread, \$/cwt	\$11.72	\$11.08	\$13.17
<b>700-800 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$224.83	\$230.87	\$194.14
	Oklahoma 8-market average, \$/cwt	\$223.02	\$219.32	\$185.57
<b>500-600 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$288.75	\$296.91	\$231.73
	Oklahoma 8-market average, \$/cwt	\$275.19	\$270.53	\$215.01
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.64	\$3.65	\$5.02
	DDGS Price, Nebraska, \$/ton	\$174.90	\$173.60	\$224.30