

In The Cattle Markets

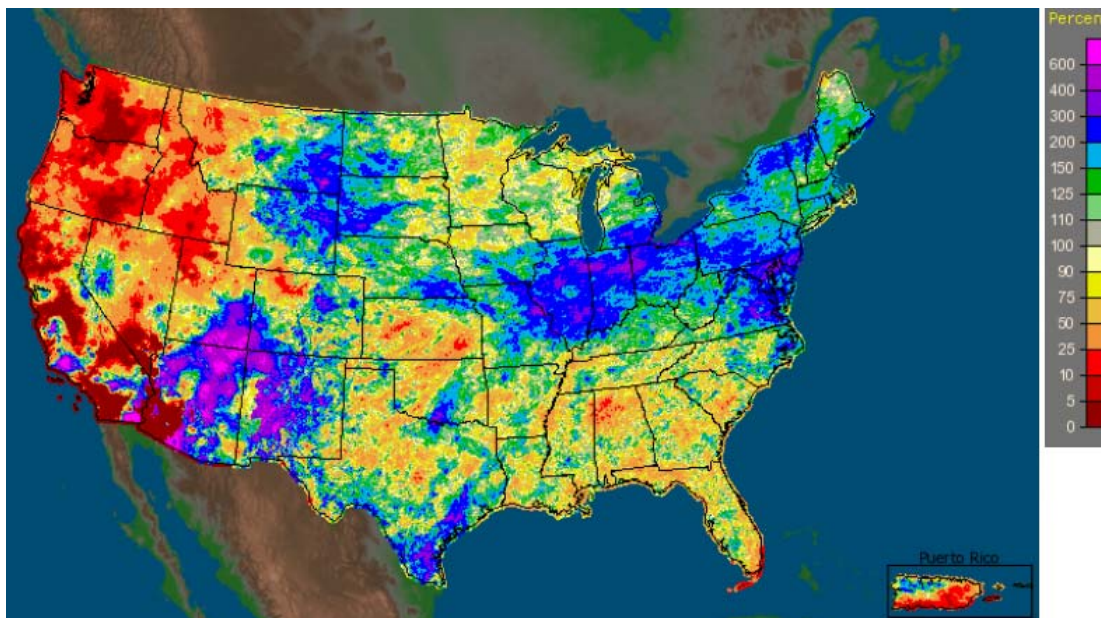
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Feed Prices Rising Along with the Water

It is a truism in the commodity markets that “rain makes grain.” This month, that old adage is bumping up against another equally-valid axiom that “too much of a good thing is a bad thing.” Persistent rains across the Midwest have had the combined effect of degrading the condition of the corn crop and also preventing the planting of the last of soybean crop. Both of these factors are supportive of prices across the entire grain/oilseed complex.

The supply-side support that the wet June weather has added to the market has started to have a significant impact on prices. The new crop (Dec) corn contract has gained a little more than 10 percent in value since mid-June – rebounding from a life-of-contract low close of \$3.63 ½ to back over \$4.00 by last Friday. New crop (Nov) soybean futures have rebounded by a similar amount, in percentage terms, over that same period.

Precipitation over parts of the Corn Belt in the past month has been extreme by historic standards. Figure 1 below shows precipitation for the 30-day period ending on June 29, 2015 in terms of the percentage deviation from normal levels. Virtually all of Illinois, Indiana, and Ohio have received rainfall levels in excess of 150 percent of normal. The same is true over key grain-producing areas in Iowa, Michigan, Missouri, and Nebraska as well.



Source: National Oceanic and Atmospheric Administration, National Weather Service

Figure 1. Rainfall Deviation from Normal: 30 days ending June 29, 2015

The much-above-normal June rainfall has taken something of a toll on crop condition ratings. Nationally, Monday's crop condition rating for corn had 68 percent of the crop rated as good-to-excellent. This is a decline from 74 percent three weeks ago and compares with a 75 percent good-to-excellent rating at the same point in the season last year. But last year was an exceptionally good year. The 5-year average good-to-excellent rating at this point in the season is 66 percent. A state-level look at Illinois shows a similar result. Illinois' corn crop condition rating in Monday's report was 62 percent good-to-excellent. This looks pretty bad compared to last year's 80 percent good-to-excellent but is actually right in line with a five-year average good-to-excellent rating at this point in the season of 61 percent.

The point of all this is that the this year's crop is still a long way from being a disaster – though there are certainly some real disasters out there for individual producers. The crop probably has suffered some loss in yield potential across key parts of the Midwest, but a national yield at trend still looks like a realistic possibility. That will change if things don't start to improve right away though.

The Markets

As noted above, corn futures closed out the week last week on a high note, capping a strong two week rally. That was not the case in the cattle market. Cash fed cattle prices were lower last week, with the 5-Area weighted average price declining by about \$1.45. Futures prices were hit considerably harder. The August Live Cattle contract finished last week at \$148.42, a decline of over \$3 through the course of the week's trading – with the bulk of that loss coming on Thursday. Feeder Cattle had a much worse week than that. August Feeder Cattle declined by close to \$9 from Monday to Friday last week, including a limit-down day on Thursday. With weaker fed cattle prices and surging corn prices, feeders really had nowhere to do but down. Wholesale beef, on the other hand, managed to hold firm. The Choice cutout on Friday was almost \$2 higher than the prior Friday's value.

<i>Data Source: USDA-AMS Market News</i>		Week of 6/26/15	Week of 6/19/15	Week of 6/27/14
5-Area Fed Steer	all grades, live weight, \$/cwt	\$148.79	\$150.24	\$154.32
	all grades, dressed weight, \$/cwt	\$237.89	\$240.14	\$244.15
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$254.31	\$249.87	\$244.39
	Choice-Select Spread, \$/cwt	\$5.37	\$6.20	\$6.55
700-800 lb. Feeder Steer	Montana 3-market average, \$/cwt	--	\$245.00	--
	Nebraska 7-market average, \$/cwt	\$246.88	\$249.76	\$233.42
	Oklahoma 8-market average, \$/cwt	\$230.05	\$230.97	\$214.06
500-600 lb. Feeder Steer	Montana 3-market average, \$/cwt	--	\$270.00	--
	Nebraska 7-market average, \$/cwt	\$302.89	\$300.91	\$287.26
	Oklahoma 8-market average, \$/cwt	\$266.80	\$273.48	\$242.26
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.78	\$3.60	\$4.37
	DDGS Price, Nebraska, \$/ton	\$122.30	\$131.90	\$136.00