

## **In The Cattle Markets**

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### **Surprises in Reports**

The USDA NASS Acreage report and Hogs and Pigs reports released last week were quite the surprise. A good indicator of that is the amount of follow up discussion by folks that don't do surveys – like myself – that the numbers in the reports may change – I will resist piling on. Corn acreage was surprisingly large and soybean acreage was surprisingly small compared to the pre-report trade expectations. Both USDA statistics were well outside the anticipated ranges. The pre-report trade estimates of corn acres were an average of 87.0 million acres with a range of 85.6-88.8 million. The report statistic was 91.7 million acres. The acreage estimate from the Prospective Plantings report in March had corn acres at 92.8 million. The pre-report trade estimates of soybean acres were an average of 84.7 million acres with a range of 82.6-86.5 million. The report statistic was 80.0 million acres. The acreage estimate from the Prospective Plantings report in March had soybean acres at 84.6 million. The trade talk between March and June was about the delays in corn planting due to cool wet weather and the potential shift to soybeans. The report clearly does not communicate what was expected. The impact on livestock markets from this information, if further reports confirm, is that feed grain prices will be more normal as opposed how they were shaping up to be through May.

The Hogs and Pigs report revealed much higher pigs per litter statistics than expected. The trade expected 100.8 percent of the prior year with a range of between 100.5 and 101.5. The actual statistic was 103 of the prior year. This is a 3% higher number of pigs per litter than the prior year. This is a much high number of small animals in the market hog inventory than expected. Lean hog prices were down sharply for nearby futures contracts. The bullish news in the report was that sow farrowing intentions for the next two quarters were well below pre-report expectations. Trade expectations were for continued expansion: 1-2% above the prior year. The report statistics were for even with last year – no expansion or contraction. Deferred lean hog contracts rallied sharply.

Both reports offer some relief and some continued concern for cattle markets: feed grain prices will be more normal and not as high as was concerned but competing meat supplies in terms of pork will be higher. Cattle markets will see continued volatility from related markets.

### **The Markets**

What do the technical say? Live cattle and feeder cattle contracts have been a freefall starting at the end of April and continuing through May. The markets have been looking to establish support in June and this Acreage report has the potential to help that. Solid uptrends were

broken at the end of April. These were clear sell signals discussed in my prior ITCM newsletter. Firming futures prices for live cattle and feeder cattle have the potential to set support at the lows in June. This would be a buy signal or an opportunity to lift some of the price protection established with the sell signals. But I do believe we are likely in for more surprises – be it in reports or not – through at least some of the summer.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 6/28/2019</b>	<b>Week of 6/21/2019</b>	<b>Week of 6/29/2018</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt		<i>\$/cwt</i>	
	all grades, dressed weight, \$/cwt	\$110.13	\$110.48	\$106.87
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$179.02	\$180.39	\$169.90
	Choice-Select Spread, \$/cwt	\$219.55	\$220.90	\$215.00
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$21.60	\$19.38	\$14.29
	Nebraska 7-market, \$/cwt	--	--	--
	Oklahoma 8-market, \$/cwt	\$151.58	\$142.50	\$163.85
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$138.42	\$136.06	\$145.72
	Nebraska 7-market, \$/cwt	--	--	--
	Oklahoma 8-market, \$/cwt	\$179.64	\$167.36	\$186.79
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$155.31	\$155.24	\$162.50
	DDGS, Nebraska, \$/ton	\$4.39	\$4.43	\$3.31