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In The Cattle Markets

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Fall Feed Outlook: What to expect as we approach the fall cattle run.

There is no doubt that cattle feeders are closely watching the conditions of the corn and soybean crop in the field right now. Although many spring-calving producers will likely not market their calves for another month or two, we could see a few more feeder cattle than normal hit the market during August and September. Much of North Dakota, South Dakota, Montana, and even a large portion of the Sandhills in Nebraska are in a severe drought or worse. I fully expect to see many producers in the drought-stricken Northern Plains begin to pull calves off of pasture and market them earlier than usual to relieve some of the stress on pastures and to cut down on the amount of hay that has to be fed. But, where will those cattle go? It is a bit too early for them to be sent south to go on wheat pasture. Producers in the Corn Belt are going to be more concerned with getting their crops out of the field than taking on stocker cattle in August or September. That really only leaves two places for them to go: back to grass further south or to the feedlot. The latest cattle on feed report has already shown evidence of the latter. June placements in South Dakota were up a whopping 67 percent from a year ago. While those were likely not spring-born calves, it does show signs that producers in the Northern Plains are trying to relieve some of the grazing pressure on the dry pastures. As we move forward, it is likely that Northern feedlots will be looking to pick up some discounted lightweight feeder calves and grow them on cheap corn...that is if the corn is actually cheap.

Looking at the current corn crop, it does look like we will have a smaller harvest than we did a year ago. Planted acres are estimated at 90.9 million acres, which is down 3 percent from a year ago. The most recent crop progress report has the U.S. corn crop at 61% good or excellent condition compared to 66% good or excellent condition a year ago at this time. At this point in the season, it looks like we will fall short of the record yields that were posted a year ago and some suggest that we may even see yield fall below the trend. However, even with lower corn production than a year ago, there is still a whole lot of corn still sitting in storage. And, while yields may fall short of the trend line yields it won't be all that bad. That is going to continue to pressure corn prices lower, particularly as we inch closer to harvest. December corn futures have already begun a slow downward march, trading a full 30 cents lower than the early July high. If the weather holds out across the Corn Belt and there are no major hiccups over the course of the next month, the fundamentals suggest that corn will continue to trend lower through harvest. While lower corn prices will be a disappointment for U.S. crop producers, it could provide a much needed boost to the cattle industry. Lower corn prices could help to boost feedlot demand for lighter weight cattle at a time when we will likely see larger supplies of those same cattle. That could help to add some support for feeder cattle prices just as many producers are looking to unload.

The Markets

The five-area fed steer price ended the week averaging \$117.16 for live sales, and \$187.48 for dressed; respectively, down \$2.17 and \$2.26. Nebraska feeder cattle were lower on the week with 500-600 pound steers down \$13.09 averaging \$181.91 and 700-800 pound steers down \$5.38 averaging \$164.68. Corn was down \$0.17 on the week trading at \$3.38/bu in Omaha on Thursday.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/28/17	Week of 7/21/17	Week of 7/29/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$117.16	\$119.33	\$117.00
	all grades, dressed weight, \$/cwt	\$187.48	\$189.74	\$186.08
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$206.96	\$207.88	\$198.79
	Choice-Select Spread, \$/cwt	\$9.33	\$12.49	\$8.86
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$151.00	--	\$151.46
	Nebraska 7-market, \$/cwt	\$164.68	\$170.06	\$156.80
	Oklahoma 8-market, \$/cwt	\$150.07	\$155.76	\$146.74
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	\$161.00
	Nebraska 7-market, \$/cwt	\$181.91	\$195.00	\$169.56
	Oklahoma 8-market, \$/cwt	\$163.13	\$166.64	\$152.12
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.38	\$3.54	\$3.06
	DDGS, Nebraska, \$/ton	\$105.50	\$102.50	\$123.00