

In The Cattle Markets

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Cattle on Feed

Markets across the globe are in the midst of a sharp decline. Thus far, 2015 has been a trying year for equities and commodities alike and they have been nothing like the “roaring” market of 2014.

A number of factors have played into the sentiment that has pressured numerous markets. The financial woes of Greece dominated much of the headline space in 2015. During the first quarter in the U.S. indicated a subpar start to the year, by 2014 standards anyway. However, there has been some catching up of economic data since, which has led to increased speculation of an interest rate increase from the Federal Reserve and that has added its own set of pressures. Then, in past week, data and reports from China have been concerning as productivity across the country appears to be on the decline and this has spilled over into worries of faltering demand from the massive consuming country. Of course, these are just a few of the major headlines thus far in 2015.

Taking a step back and assessing more than the past few days shows that the recent news has had a larger impact on broad market equities as opposed to individual commodities. The S&P 500 and Dow Jones Industrial Average (DJI) indices are down 9.0% over the past month, but the nearby August Live and Feeder Cattle futures contracts are mostly on par with late July levels. Granted, this shows that the August gains have largely been wiped out with almost all of those gains being given up in the past few trading days. The five-area fed steer price is up 1.8% over the past month, while Oklahoma City 500-550 pound and 750-800 pound steers are, respectively, down 3.5% and 2.5%. When assessing the year’s movement the picture is more grim. The equity indices are down 8.0% and 11.0% since the start of 2015, for the S&P and DJI; while cash fed steers are down 11.3%, 500-550 pound OKC steers are down 12.5% and 750-800 pound steers in OKC are down 8.0%.

Most livestock market analyst expected 2015 to lack the glamour and pizzazz that was experienced in 2014. Producers that I have consulted with still find this a hard pill to swallow even with this expectation firmly in place. With macroeconomic events stealing the headlines for much of the year, the cattle industry may look back and let out a sigh of relief.

In light of the market shake-down, this month’s cattle on feed report went largely unnoticed. As many others have written, the number of cattle in feedlots with more than 1,000 head capacity increased 2.6% to 10.002 million head. Placements into feedlots declined by 0.8%, while marketings declined by 3.5%. Each of these were near analysts’ expectations and all well within the range of expectations, so the report would have been viewed in a neutral light but again trading was trumped by broader market events.

The Markets

Fed cattle down \$3.43 per hundredweight last week and live cattle futures slipped all days but Thursday. Feeders were lower across Oklahoma. Corn in Omaha averaged 3.89 during July but current bids are below that mark.

		Week of	Week of	Week of
<i>Data Source: USDA-AMS Market News</i>		8/21/15	8/14/15	8/22/14
5-Area Fed Steer	all grades, live weight, \$/cwt	\$147.19	\$150.62	\$153.14
	all grades, dressed weight, \$/cwt	\$232.62	\$238.44	\$241.86
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$245.75	\$242.66	\$251.96
	Choice-Select Spread, \$/cwt	\$9.84	\$8.11	\$9.15
700-800 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$230.83	\$234.86	\$230.27
	Oklahoma 8-market average, \$/cwt	\$217.49	\$221.78	\$219.73
500-600 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$282.44	\$270.30	\$258.61
	Oklahoma 8-market average, \$/cwt	\$242.40	\$251.67	\$256.08
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.67	\$3.55	\$3.59
	DDGS Price, Nebraska, \$/ton	\$139.20	\$139.10	\$97.15