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## **In The Cattle Markets**

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### **Lower Cash Fed Cattle Prices on Large Cattle Slaughter**

Cash fed cattle prices dropped dramatically last week to about \$110 per cwt. One of the prime movers in lower prices is the large year-over-year increase in cattle slaughter. Total daily August steer and heifer slaughter is 15.9 percent larger than last year (through August 20). Digging deeper in the data is even more interesting. Steer slaughter is up 13.4 percent. Heifer slaughter is up a whopping 22 percent, compared to August last year. The increase in steer slaughter suggests a rapid pace of marketings, perhaps providing the opportunity to avoid the marketing backup experienced last year. The pace of heifer slaughter and the total numbers may suggest some information on the pace of herd expansion. Total cow slaughter is 19 percent larger than a year ago. While dairy cow slaughter is up about 7 percent in August, 37 percent more beef cows went to slaughter.

Even though slaughter is much greater than a year ago inducing lower prices, the price decline might be seen as larger than expected. One area of difference is in packer margins, often implied by the live-to-cutout price spread (this measure is not a margin because the packer's costs are not subtracted out of spread). The live-to-cutout spread has been much larger this year than last, by as much as over \$100 per head by some calculations, in some weeks. This greater implied packer margin accounts for some of the \$30 per cwt lower cash cattle price in recent weeks compared to a year ago.

Another area that is worth some exploration is the difference between cash and formula priced cattle. While they are related and the formula price may be based on prior cash prices, these have indicated some wide differences recently. Weekly average prices indicate that formula priced cattle are receiving about \$1.50 per cwt more than cash priced cattle. The differences have been even greater when examining daily prices. In the broader context, more fed cattle are being sold on a formula than a negotiated cash basis. Reported formula prices may provide a truer picture of the actual cattle market.

### **The Markets**

Local auction markets in Texas have seen, generally, higher calf prices over the last few weeks as rains have alleviated growing dry conditions. As the calendar gets closer to harvest season in major growing areas, feed costs are reflecting expectations of record crops.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 9/2/16</b>	<b>Week of 8/26/16</b>	<b>Week of 9/4/15</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$109.68	\$114.60	\$141.75
	all grades, dressed weight, \$/cwt	\$173.94	\$180.23	\$222.14
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$195.67	\$200.34	\$241.06
	Choice-Select Spread, \$/cwt	\$5.92	\$6.54	\$11.39
<b>700-800 lb. Feeder Steer</b>	Montana 3-market average, \$/cwt	\$135.34	\$147.49	\$213.99
	Nebraska 7-market average, \$/cwt	\$147.49	\$151.73	\$221.21
	Oklahoma 8-market average, \$/cwt	\$136.93	\$141.94	\$209.62
<b>500-600 lb. Feeder Steer</b>	Montana 3-market average, \$/cwt	\$145.50	--	--
	Nebraska 7-market average, \$/cwt	\$158.35	\$164.18	\$253.90
	Oklahoma 8-market average, \$/cwt	\$150.65	\$155.30	\$233.98
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$2.89	\$2.98	\$3.45
	DDGS Price, Nebraska, \$/ton	\$116.50	\$122.50	\$138.50