

In The Cattle Markets

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Feed Situation

Large rainfall events have made it a challenging growing season in South Dakota and neighboring states. The quantity and quality of feed from pastures and crops have been affected. The resulting feed situation is influenced by both local and national factors. Cattle inventories are expected to be constant to slightly lower locally and nationally, meaning steady demand for feed. The supply side is more variable. At the national level, pasture conditions are better than last year at this time. Conditions in California and other western states are relatively worse, while conditions in South Dakota, Maine, and Florida are relatively better than the national level. Ample pasture supplies limit demand for other feeds.

The national hay situation began the 2019/20 marketing year with very low May 1 stocks and prices high enough to discourage cattle expansion. Higher yields, so far, suggest a larger supply of hay compared to a year earlier. The result has been some downward pressure on hay prices. In South Dakota higher yields boosted production in 2019. Fall use locally is highly variable. However, when coupled with solid pasture conditions, use is likely limited in the short run, which would be a boost to December 1 stocks (and more downward pressure on prices locally). Hay quality regionally has been a challenge, thus other feeds and supplements remain a focus. On the positive side for feed buyers, the cost of replacement protein remains low. For example, soybean meal prices (the benchmark for alfalfa and distillers values) remain below year-ago levels.

Corn is the other major feed crop with returns implications for cattle producers. The national corn crop is expected to be smaller than a year ago, which has resulted in higher corn prices. In South Dakota the March prospective plantings were for 6.0 million acres of corn. With subsequent weather delays and market changes, the planted total was only 4.5 million acres. Production is expected to be the lowest since 2012. However, the corn in storage on June 1, 2019, was about 100 million bushels higher than on June 1, 2012. The tighter expected supply has resulted in higher local corn prices. However, the price increase is not offsetting the decrease in bushels. Higher corn prices have been putting downward pressure on calf prices. There is carry in the corn futures market, suggesting that those intending to buy and feed corn look to store corn in the short run. The remaining issue is the delayed maturity of the crop, both locally and nationally. The NASS crop progress report shows this year's crop remains behind last year and the five-year average. For more insight, NASS also produces state-specific, year-to-date crop progress levels under the "Charts and Maps" section on their website.

In South Dakota and the surrounding region, good pasture conditions and larger hay supplies may make it easier for producers to delay selling calves and any cull cows. Diversified operations may need the time if they are facing crop harvesting delays. There is also the

potential for larger feed supplies from silage, cover crops, light test-weight corn, immature soybeans and aftermath grazing. Delaying sales would allow for use of such feeds, whether raised or purchased locally. Those benefits need to be weighed against the need for working capital.

The Markets

The markets finished mixed for the week. In the cash trade, fed cattle were down slightly from a week earlier, while feeder cattle prices were mixed. The live cattle and feeder cattle futures prices were higher for the week. Corn prices were higher for the week, while the price of DDGS was steady. On a per ton basis, the price of DDGS remains close to the price of corn, thus making it attractive to either replace corn or provide protein as a supplement where feed quality has been affected.

<i>Data Source: USDA-AMS Market News</i>		Week of 9/13/19	Week of 9/6/19	Week of 9/14/18
5-Area Fed Steer	all grades, live weight, \$/cwt	\$100.07	\$101.73	\$110.66
	all grades, dressed weight, \$/cwt	\$159.17	\$165.83	\$174.05
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$222.61	\$229.51	\$205.09
	Choice-Select Spread, \$/cwt	\$22.91	\$22.76	\$7.45
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$142.41	\$139.50	\$157.63
	Nebraska 7-market, \$/cwt	\$148.71	\$151.04	\$163.03
	Oklahoma 8-market, \$/cwt	\$139.03	\$138.78	\$154.29
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	\$160.73
	Nebraska 7-market, \$/cwt	\$163.01	\$166.68	\$180.79
	Oklahoma 8-market, \$/cwt	\$144.17	\$141.54	\$161.53
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.68	\$3.59	\$3.15
	DDGS, Nebraska, \$/ton	\$137.50	\$137.50	\$136.50