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## **In The Cattle Markets**

**David P. Anderson, Professor and Extension Economist**  
**Texas A&M AgriLife Extension Service**

### **Dry Conditions Add to Price Decline**

After a wet first half of the year dry conditions have returned in much of Texas. The latest drought monitor map indicates almost 2/3rds of the state is back in abnormally dry to extreme drought. The worst hit areas are in central to East Texas. As more calves are brought to market seasonally, the dry conditions are limiting the demand from buyers. Winter wheat and oat pasture establishment has been delayed, further slowing stocker cattle demand forcing even lower prices. Longer term weather forecasts indicate some El Nino driven moisture to pick up over the next few weeks providing some relief.

Fed cattle weights continue to increase adding more beef production. Long time cattle market participants will remember back in history to times when backed up cattle marketings and relatively inexpensive feed combined to add tonnage to beef supplies, further depressing fed cattle prices. But it hasn't happened in a number of years, until now. Average dressed steer prices reached 923 pounds for the week of September 19<sup>th</sup>, 36 pounds larger than the year before. The combination of cattle slaughtered and heavier weights means that there is more beef production on the market than at the same time last year.

Fresh 90 percent lean beef finished the week at \$2.56 per pound, its lowest price in more than a year. Increasing cow slaughter, seasonally, and large supplies of imported beef are pushing the lean ground beef market lower. Fifty percent lean beef is at its lowest price, \$0.38 per pound, since 2007, adding even more pressure to the overall beef market. Boneless, skinless chicken breast is an important competing meat for ground beef and its Northeast wholesale price has fallen to \$1.18 per pound, down 38 percent from a year ago and its lowest price since 2011. Falling beef trimmings prices will likely continue as cow slaughter picks up in earnest over the next few weeks.

### **The Markets**

Beef, cattle, and calf prices were down across the board again last week. One result of heavy weight cattle is a lower Choice beef price relative to Select beef. The Choice-Select spread finished the week at \$3.26 per cwt, a dollar smaller than the week before and down 71 percent from the year before. Normally, the Choice-Select spread increases seasonally through the Fall before declining late in December.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 10/2/15</b>	<b>Week of 9/25/15</b>	<b>Week of 10/3/14</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$117.71	\$128.61	\$160.54
	all grades, dressed weight, \$/cwt	\$187.48	\$202.44	\$251.99
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$208.44	\$218.66	\$238.19
	Choice-Select Spread, \$/cwt	\$3.26	\$4.28	\$11.36
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$188.38	\$196.79	\$244.80
	Nebraska 7-market, \$/cwt	\$194.48	\$200.86	\$247.10
	Oklahoma 8-market, \$/cwt	\$184.34	\$192.91	\$241.90
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$201.20	\$203.40	\$282.01
	Nebraska 7-market, \$/cwt	\$217.55	\$232.13	\$294.17
	Oklahoma 8-market, \$/cwt	\$200.49	\$209.36	\$263.52
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.62	\$3.56	\$2.72
	DDGS, Nebraska, \$/ton	\$125.40	\$128.50	\$105.30