

In The Cattle Markets

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Up Corn, Down Horn

Continued dry conditions across much of the western corn belt have resulted in sharply higher new-crop corn futures prices. Old-crop futures and cash prices have risen also. There is little to no carry after the December 2023 contract, so all the buying decisions would depend on the general price level instead of any storage-related timing. The implied volatility for new-crop corn continues to creep higher as well. As a result, the prospects for higher meat prices have waned. Feeder cattle futures have been under downward pressure in recent weeks. Regionally, corn acres have areas that look quite stressed from heat and limited precipitation. There is also wide variability in conditions. Live cattle prices have been at record high levels, so the effect on feeders has been clouded or offset.

The dry conditions have locally limited the expectation for hay yields. The hay stocks situation in South Dakota was close to expectations, as winter use was in line with typical disappearance levels. With the expected 2023 hay acres, supplies would be good for the year. However, producers and Extension colleagues have already called attention to lower yields. The national picture would mirror the local situation and winter use was in line with expectations. Looking at the LMIC's projections, there would be improvement in the supply situation for 2023 compared to last year. However, even with good yields there would not be a sizable enough increase to warrant widespread cattle herd expansion. Now, with dryer conditions, the prospect for alfalfa yields would be limited.

Higher feed prices and the prospect for tighter forage supplies would also influence other meat and dairy sectors. Soybeans have risen with corn, which are both negative for swine production margins. Pork prices have been under pressure as larger supplies have weighed on the market. Tighter pork supplies moving forward would be supportive or stabilizing of beef prices. Higher corn, soybean meal and hay prices would also be negative for dairy margins. Any downturn in milk prices could lead to a contraction in cow numbers and be a short-run source of additional beef supplies. The dairy sector has been the driver behind high alfalfa prices, and that pressure is likely to continue.

Beef seems to be having its moment with consumers. Cutout and wholesale values have risen recently and are at high levels. This is in sharp contrast to most pork prices, which are sharply lower. Tight cattle supplies and solid beef demand has resulted in live cattle prices on the futures side continuing to be at all-time record-high levels. The feeder cattle prices have come down from recent record-high levels, but still look favorable. Note also that the nearby contract is the August contract, reflecting cattle coming off of grass and trading at a large premium relative to current cash prices.

The Markets

The cattle markets finished mixed for the week. In the cash trade, fed cattle were lower on both a live basis and on a dressed basis. Boxed beef, in contrast, was higher. Feeder cattle prices were mostly lower. On the futures side, live cattle were little changed. Feeder cattle futures were sharply lower, moving in the opposite direction of corn futures. Cash corn finished the weekly slightly higher, while DDGS were slightly lower. Corn futures were sharply higher for the week.

<i>Data Source: USDA-AMS Market News</i>		Week of 6/16/2023	Week of 6/9/2023	Week of 6/17/2022
		<i>\$/cwt</i>		
5-Area	all grades, live weight	\$184.92	\$188.75	\$143.67
Fed Steer	all grades, dressed weight	\$296.07	\$299.21	\$229.73
Boxed Beef	Choice Price, 600-900 lb.	\$339.93	\$324.49	\$268.32
	Choice-Select Spread	\$30.03	\$22.98	\$21.95
700-800 lb.	Montana 3-market	\$257.01	\$230.50	--
Feeder	Nebraska 7-market	\$244.75	\$254.32	\$172.96
Steer	Oklahoma 8-market	\$229.69	\$229.88	\$164.40
500-600 lb.	Montana 3-market	--	\$297.18	--
Feeder	Nebraska 7-market	\$295.22	\$296.60	\$212.99
Steer	Oklahoma 8-market	\$268.97	\$272.00	\$184.92
Feed	Corn, Omaha, NE, \$/bu	\$6.66	\$6.57	\$8.38
Grains	DDGS, Nebraska, \$/ton	\$230.50	\$232.00	\$235.00