

## In The Cattle Markets

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### Feed Situation

Beef cattle inventory levels have been expected to continue to remain low. Feed availability has been a limiting factor in recent years. Its attending cost has also limited profits for cow-calf producers. Heading into fall, there are a few signs of changing aggregate conditions that may allow for some expansion to begin. The largest change is probably on the range and pasture side where the latest conditions show much higher percentages in the continental U.S. in good or excellent compared to a year ago. There are also much lower percentages in very poor or poor relative to last year. While conditions are subjective, their consistency and direction would be considered an improvement. The reduction in inventory levels has also meant less demand on the pastures. In general, the conditions are better in the eastern U.S. and worse in the southwest U.S.

The Economic Research Service tracks and builds indexes of grain, high protein, and roughage consuming animal units. The roughage consuming units are dominated by cattle, mainly grazing and then dairy animals. Several years in a row of declining units means less demand for feed, particularly for forage. The grain consuming units are spread across hogs and poultry, then cattle feedlots. That index has not changed much in recent years. The high protein index is dominated by poultry, and it has been increasing slightly in recent years. Thus, pasture demand has gone down, but demand for other feed has been constant when aggregated across other livestock.

The hay situation has improved from a buyer's perspective. Production is up sharply from a year ago, mitigating a slightly tighter old stocks situation. Thus, supply is larger. Fewer roughage consuming units translates into lower demand. Both combine to push down prices. A major demand source in recent years has come from hay importing countries. In part, high prices seem to have slowed trade, meaning more tons are available in the domestic market. Regionally, the corn crop has a high level of variability. There have been anecdotes of low grain yields expected in different areas, even though the plant height is normal. That suggests a larger than normal amount of corn may be switched to silage production. This can result in substantial tons of forage, albeit at lower energy levels than if the grain production was normal. Distillers' grains will likely make up any ration needs.

The most obvious impact of changing feed prices will show up in continued changes to the price slide across feeder cattle weight classes and the price spread between steers and heifers. The expected price of corn is much lower than a year ago. This has helped support calf prices and made the slide steeper than a year ago. The spread would also widen, reflecting the better gain of steers over heifers. However, if feed availability improves and costs fall, then cow-calf producers may look favorably on heifers as replacements, which could narrow the spread.

## 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 sharply higher. Feeder cattle prices were mixed. On the futures side, live cattle were higher and feeder cattle were steady in the nearby months and higher in the deferred months. Implied volatility levels in both live and feeder cattle remain relatively low. Cash corn finished the week lower, while DDGS were slightly higher. Corn futures were steady for the week and continue to reflect some carry in the contract months following December.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 8/25/2023</b>	<b>Week of 8/18/2023</b>	<b>Week of 8/26/2022</b>
		<i>\$/cwt</i>		
5-Area	all grades, live weight	\$182.75	\$185.04	\$144.79
Fed Steer	all grades, dressed weight	\$292.75	\$293.76	\$232.88
Boxed Beef	Choice Price, 600-900 lb.	\$317.04	\$310.40	\$263.29
	Choice-Select Spread	\$26.44	\$25.83	\$25.07
700-800 lb.	Montana 3-market	\$267.00	\$263.13	\$185.41
Feeder	Nebraska 7-market	\$267.17	--	\$198.89
Steer	Oklahoma 8-market	\$249.92	\$251.56	\$180.35
500-600 lb.	Montana 3-market	--	--	--
Feeder	Nebraska 7-market	\$296.71	--	\$223.72
Steer	Oklahoma 8-market	\$282.98	\$286.79	\$201.84
Feed	Corn, Omaha, NE, \$/bu	\$5.30	\$5.33	\$7.55
Grains	DDGS, Nebraska, \$/ton	\$195.88	\$195.25	\$269.20