

In The Cattle Markets

Darrell R. Mark, Ph.D., Assoc. Professor

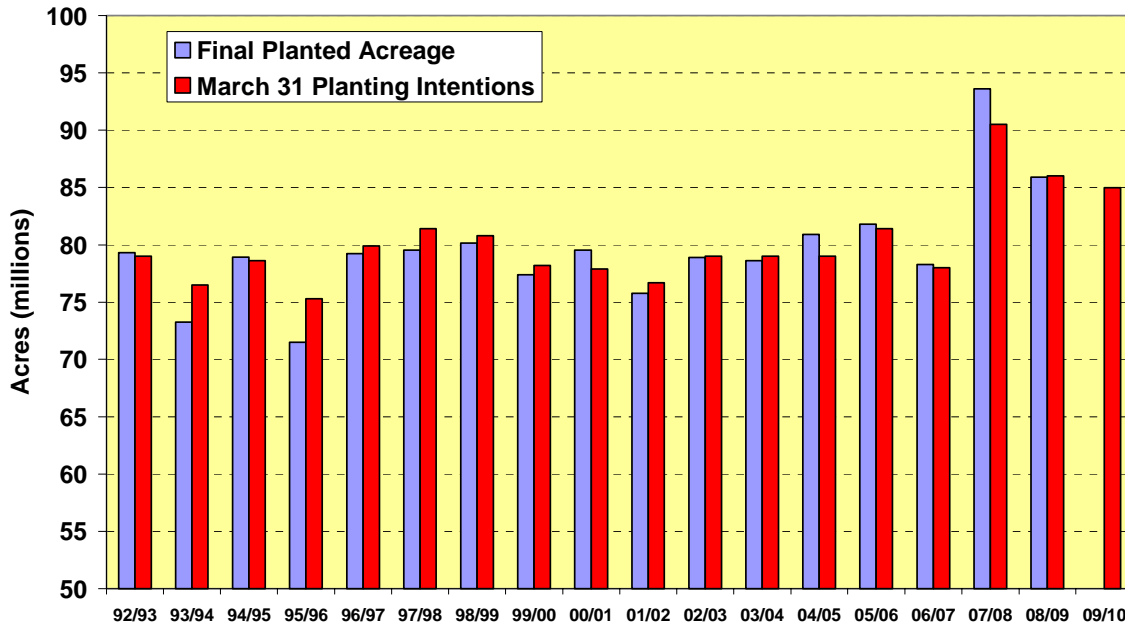
Department of Agricultural Economics, University of Nebraska–Lincoln

Where Did All The Acres Go?

USDA released its much anticipated Prospective Plantings report this Tuesday morning, providing its first survey-based estimate of farmer's intentions for the upcoming growing season. After large corn acre changes in the past two years, extreme price moves, and dramatically changing fertilizer prices, analysts' and traders' pre-release expectations for corn acres varied widely – from 81 million acres up to 89 million acres (average was 84.5 million acres). USDA reported that, as of March 1, 2009, corn growers planned to plant 84.986 million acres, 1.2% less than last year, but still the third large acreage since 1949 (2007 and 2008 were the largest and second largest, respectively). This corn planted acreage figure should be relatively neutral to slightly bullish to corn prices. It was close to the average pre-release expectation. Additionally, it should provide for an adequate crop and ending stocks for the 2009-10 marketing year in the neighborhood of 1.4-1.5 billion bushels (using the USDA's forecasted yield of 156.9 bu/acre and total domestic use of 12.45 billion bushels from the Agricultural Outlook Forum in late February). While the report doesn't provide evidence of dramatically larger corn acres that livestock feeders might have liked to see, the fact that acreage didn't drop into the lower 80 million acre range should help prevent large, sustained rallies (assuming a decent growing year). In the report, USDA also indicated that harvested hay acres were expected to increase by 235,000 acres to 60.3 million acres, which should generally be supportive to cattle production.

The Prospective Plantings report also showed significant acreage reductions for several other major crops: sorghum (-16.0%), barley (-6.6%), winter wheat (-7.3%), durum wheat (-10.5%), spring wheat (-5.9%), cotton, (-7.0%), sunflowers (-17.7%), canola (-15.2%), and peanuts (-26.7%). Combined with corn, this represents a decrease in planted acres of 8.779 million acres for these crops compared to last year. Increases in oats, rice, hay, soybeans, and sugarbeets only accounted for less than a 1 million acre increase in total planted acres. So, for all these crops list above, total planted acreage is reported down 7.8 million acres from last year. The question is, what happened to these acres and what will they be planted to? I think it is safe to say the housing industry hasn't been good enough this past winter for urban encroachment to have taken over nearly 8 million acres. Thus, there still may be room for acreage increases in some major crops—producers haven't revealed all their acreage decisions yet. And, although some acreage decisions were made last summer and fall, undecided acres have responded to dramatically changing incentives in the past several months, including this past month since the data in the report were collected. It's likely the incentive to grow corn versus soybeans will continue to change for the next month until planting. As usual, we won't know until the final acreage report until June. In the last 20 years, the Prospective Plantings report for corn has been below the actual corn planted acres in 7 years and above the actual corn planted acres in 13 years (the graph below shows some of the recent years' comparison).

Corn Planted Acreage: Final Acreage Estimates & March 31 Planting Intentions



The Markets

Last week's fed cattle trade was steady to stronger compared to the previous week. Nebraska dressed steer prices averaged \$132.83 while live prices in Kansas averaged \$83.56. Choice boxed beef prices averaged \$0.38/cwt higher last week, and the Choice-Select spread remained very narrow at \$0.40. The feeder cattle market was \$1-2 lower in Nebraska and Kansas last week for both yearling steers and calves. Corn prices also dropped by \$0.08/bu through Thursday last week, while distillers grain prices held steady.

	Week of 3/27/09	Week of 03/20/09	Week of 03/28/08
Kansas Fed Steer Price, live weight	\$83.56	\$82.90	\$87.74
Nebraska Fed Steer Price, dressed weight	\$132.83	\$132.76	\$141.17
700-800 lb. Feeder Steer Price, KS 3 market average	\$93.41	\$94.84	\$101.35
500-600 lb. Feeder Steer Price, KS 3 market average	\$112.11	\$113.13	\$122.47
700-800 lb. Feeder Steer Price, NE 7 market average	\$96.13	\$98.07	\$103.05
500-600 lb. Feeder Steer Price, NE 7 market average	\$111.28	\$113.01	\$124.36
Choice Boxed Beef Price, 600-900 lb. carcass	\$134.73	\$134.35	\$139.99
Choice-Select Spread, 600-900 lb. carcass	\$0.40	\$0.42	\$0.88
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$3.78	\$3.85	\$5.21
DDG Wholesale Price, Iowa, \$/ton	\$120.00	\$120.00	\$160.00