

In The Cattle Markets

John D. Anderson, Ph.D., Extension Professor

John Michael Riley, Ph.D., Asst. Extension Professor

Department of Agricultural Economics, Mississippi State University

Effect of Late Planting and Crop Condition on Corn Yield Expectations

Last week, USDA released the latest monthly *World Agricultural Supply and Demand Estimates (WASDE)* report. The corn balance sheet continues to tighten as USDA reduced 2009 corn yield expectations compared to last month's report. This year's production is estimated at 11.935 billion bushels, based on a national average yield of 153.4 bushels per acre on 77.8 million harvested acres. With projected total use of 12.460 billion bushels over the 2009/10 marketing year, corn carryover is expected to be drawn down about another half-billion bushels to 1.09 billion bushels. If these projections hold, the corn stocks-to-use ratio by the end of the 2009/10 marketing year will be at 8.75%, a level that would almost certainly correspond to a highly volatile corn market.

The reason for USDA's lowered corn yield expectations is the late planting of the crop, particularly in the eastern Corn Belt. Nationally, the crop was 62% planted according to the May 18th *Crop Progress* report and well below the 5 year average of 85% on that date. USDA's early-season yield projections are based on a linear trend estimated with national average yield data from 1990-2008. Looking at the relationship between planting progress and deviations from this trend by using data from 1990 through 2008, it appears that each 5% decrease in the percent of the crop planted by May 15 is associated with a roughly 1.9 bushel per acre decrease in yield. This year's estimated May 15 planting progress of 58% compares to a 1990-2008 average of 72%, suggesting about a 5 bushel below trend yield.

Fortunately, planting date is not the only thing that matters in the determination of final corn yield. The negative effects of late planting can either be offset or compounded by conditions throughout the growing season. Last year provides a good example of this. The 2008 crop was planted late due to flooding in the upper Midwest. After about June 1, however, conditions for the developing crop were almost ideal. Crop condition ratings for the 2008 crop (measured as the percent of the crop rated Good or Excellent in weekly *Crop Progress* reports) ended up being very consistent with the 10-year average despite a very poor start for the crop. Yields in 2008 were ultimately less than a bushel below trend.

What does all of this tell us about the current crop? First, it tells us that crop condition from this point forward will be absolutely critical. Last week's *WASDE* report has yields at 3.5 bushels below trend. As noted above, this year's planting progress is certainly consistent with even lower yield estimates than this projection by USDA. Right now, crop condition ratings look all right but if they begin to slip the potential for further reductions in yield estimates is likely. The second point is that the upside for corn yield doesn't look too great right now. Remember that in 2008, even an exceptional growing season didn't get the crop back to trend line yields. This year's crop was later getting in the ground than last year's. So, with current

acreage expectations, this means production falling short of use and declining corn stocks. The bottom line is this: long-run fundamental support for high corn prices is not likely to erode much any time soon.

The Markets

Last week, cash fed cattle prices in most regions near steady after several weeks of sliding lower. Prices in Nebraska were off about \$1 on both a live and dressed basis: \$81 to \$82 live and \$131 dressed. Prices in other regions were about steady with last week at \$82 live and \$130 to \$131 dressed. Wholesale beef prices bounced back a bit early in the week last week before slipping back down to close the week. On Friday, the daily Choice cutout value was a few cents higher than the previous Friday, mainly on the strength of end meats. Feeder cattle prices were mostly lower last week, with early-week sales appearing to suffer the most due to the very shaky finish for feeder cattle futures in the preceding week. In the Southeast, stocker and feeder prices were uniformly lower, with pretty much all classes slipping by \$1 to \$3. Slaughter cows and bulls also slipped in value, with cull prices in Mississippi down by \$2 to \$6 for the week. Corn futures finished the week lower, with the nearby July contract losing 18 ½ cents for the week, closing at \$4.25 ½. Generally favorable numbers from USDA in the latest monthly supply and demand estimates were largely overshadowed by pressure from outside markets, particularly a strengthening dollar at the close of the week.

		Week of 06/12/09	Week of 06/05/09	Week of 06/13/08
5-Area Fed Steer	all grades, live weight, \$/cwt	\$81.88	\$82.11	\$93.11
	all grades, dressed weight, \$/cwt	\$130.26	\$131.53	\$147.02
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$139.78	\$141.39	\$157.03
	Choice-Select Spread, \$/cwt	\$6.95	\$5.72	\$4.12
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$92.50	\$92.25	---
	Nebraska 7-market average, \$/cwt	\$102.06	\$104.73	\$110.49
	Oklahoma 8-market average, \$/cwt	\$97.44	\$99.68	\$109.40
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	---	\$110.52	\$124.00
	Nebraska 7-market average, \$/cwt	\$114.66	\$118.54	\$128.08
	Oklahoma 8-market average, \$/cwt	\$108.26	\$109.79	\$115.24
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$4.14	\$4.26	\$6.75
	DDGS Price, Nebraska, \$/ton	\$144.90	\$151.10	\$170.50
	WDGS Price, Nebraska, \$/ton	\$51.00	\$49.50	\$63.40