

## In The Cattle Markets

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### Feed Prices in 2019

The USDA Crop Progress report released June 3, 2019 showed that as of the week ending June 2, 2019 only 67% of corn has been planted, compared to 96% in 2018. The July, September and December 2019 CME corn futures market contracts have increased an average of \$0.59 since May 1. The average May change over the last 5 years has been a decrease of \$0.11. Given the significant decrease in plantings and the percentage of corn that has been planted late, corn price may continue to increase. While the trade concerns with Mexico are the bearish indicators the decrease in acres will likely have a greater impact.

Over the last 5 years Mexico has taken an average of 24% of our exports. 24% of the average 5 years of exports is 522 million bushels of corn. If one assumes corn planting will be down 6 million acres to 86.8 million acres and we see a decrease of 2 bushels/acre to 174.6 bu/acre yield we would see a decrease in corn production of 554 million bushels. Although the market may focus on the new news concerning Mexico and trade, the long-term impact (and in my opinion the more likely scenario) of lower acres and yield will eventually have the greater impact on prices.

In addition to a lower supply of corn, we will see continued decreases in high quality hay. 2018 saw heavy rains and unpredictable weather. The decrease in production contributed to the decrease in US hay stocks of close to 6% from 2017 to 2018. Given the late wet spring, first cutting hay is smaller as forages were slow to start growing and were mature at lower height.

Feeding cost of gain is sensitive to corn and hay prices, as well as feed conversions. Using regression results obtained by Michael Langemeier from Purdue University that found each \$0.10 per bushel increase in corn prices increases feeding cost of gain by \$0.87 per cwt. and each \$5 per ton increase in alfalfa prices increases feeding cost of gain by \$0.55 per cwt, one can estimate that even if hay price and all other costs remain constant cost of gain will increase by \$5/cwt given the May increase in price of corn. This calculation assumes price remains at this level and feeders haven't conducted any hedging activities, but it highlights the increased costs of feeding producers should expect.

## The Markets

Week ending June 2, 2019 saw large losses in the livestock markets. The cattle market is oversold and is at long-term lows. Corn started the week higher but has decreased slightly and focusing short-term on the demand front, both Mexico export concerns and weak ethanol demand. Wet weather is still impeding planting.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 5/31/19</b>	<b>Week of 5/24/19</b>	<b>Week of 6/1/18</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$115.74	\$115.78	\$110.55
	all grades, dressed weight, \$/cwt	\$186.08	\$184.79	\$177.35
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$223.40	\$220.64	\$227.99
	Choice-Select Spread, \$/cwt	\$14.15	\$13.56	\$23.67
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$146.85	\$144.50	\$152.61
	Nebraska 7-market, \$/cwt	--	\$150.86	\$155.94
	Oklahoma 8-market, \$/cwt	\$137.89	\$140.69	\$142.92
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$172.77	\$169.50	\$181.95
	Nebraska 7-market, \$/cwt	--	\$174.69	\$179.69
	Oklahoma 8-market, \$/cwt	\$157.05	\$162.56	\$165.56
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.19	\$3.75	\$3.74
	DDGS, Nebraska, \$/ton	\$126.50	\$121.00	\$155.00