

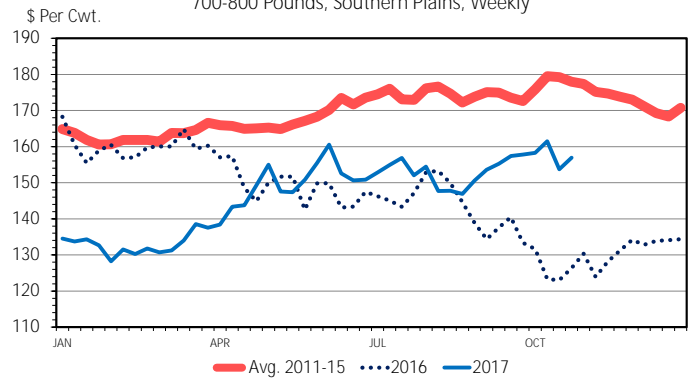
Yearling feeder cattle prices have staged an impressive rally during the last two months, climbing more than \$10 per cwt. at a time in the year when prices usually are trending sideways or lower. Calf price, which typically trend lower from late summer into the first half of October, have held steady with a little strength coming in the second half of October.

The spread between yearling and calf prices provides the economic signals for buying calves and moving them to wheat pastures instead of selling the calves directly to feedlots. A lower calf cost relative to yearling value gives pasture programs the “green light”, which delays the timing of when cattle go into feedlots from the fall to late this year or the first half of the following year. Such is the case this year, with Oklahoma City 500-550 pound steer prices only \$9 per cwt. premium to 750-800 pound steers this October. This premium is a few cents less than last October and is the smallest since 2010 and 2011. By comparison, this price spread in October 2014 was \$46 per cwt. Within this analytical framework, 2014 was unusual, driven by euphoria about beef prices and slaughter cattle values hitting record-highs which created a scramble to hold onto young cattle for breeding herd rebuilding efforts. That has not been the case this year, with wholesale beef prices down 10% from 2014 and slaughter cattle prices down 20%, due to larger production of beef, as well as pork and poultry.

A factor lifting yearling prices this September has been the structure of the Live Cattle futures market. April and June 2018 Live Cattle contracts have been at big premiums to the current cash market for slaughter cattle, compared to a year ago when April and June 2017 contracts were equal to, or discount to the cash market. This September, the April 2018 Live Cattle futures contract averaged \$11.20 over the average prices for slaughter cattle in cash market, basis the 5 market price reported by USDA-AMS (Agricultural Marketing Service). In September 2016, the average for the price difference between April futures and the cash cattle price was \$-1.31. In September 2015, the price relationship was \$4.41.

Managing cattle price risk over a time frame associated with an extended time on pasture highlights the relationship between September cash cattle prices and the June futures contract in September. This September, the June 2018 futures

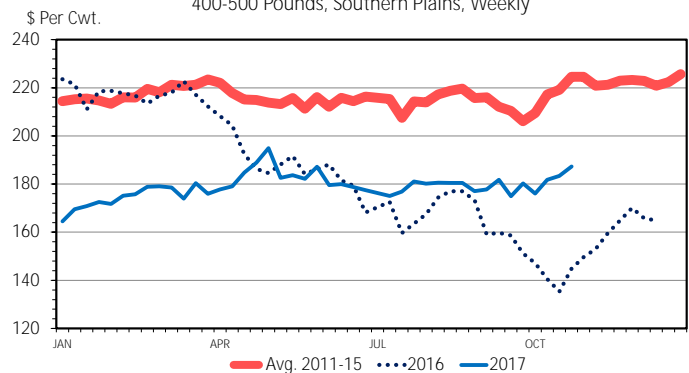
MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-49
10/30/17

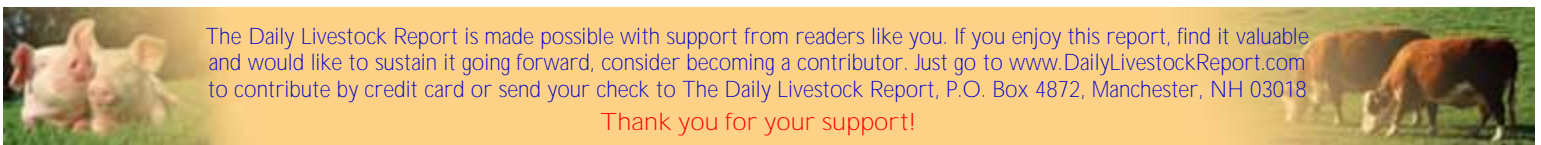
MED. & LRG. #1 STEER CALF PRICES
400-500 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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contract averaged a \$4.66 premium to the cash cattle price in that month. This compares to the same price relationship a year earlier that averaged \$-7.77 and two years earlier that averaged \$-3.78.



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