

Drought conditions have stretched across most of the U.S. as of late April. Extreme drought has spread outside the Western U.S. and is also now effecting the High Plains of North and South Dakota as well as Montana. The tabular data posted this week showed 68% of the continental U.S. is in a level of drought. More than 20% is in Extreme and Exceptional drought.

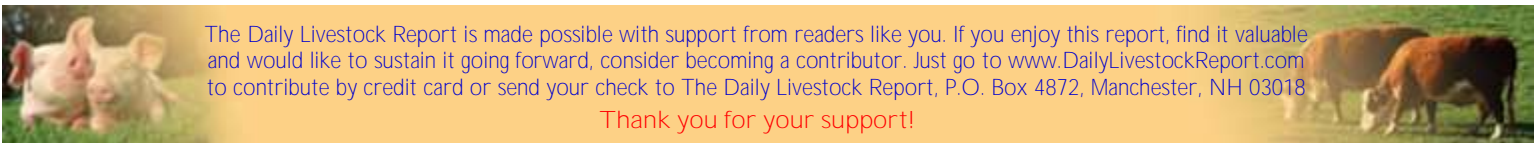
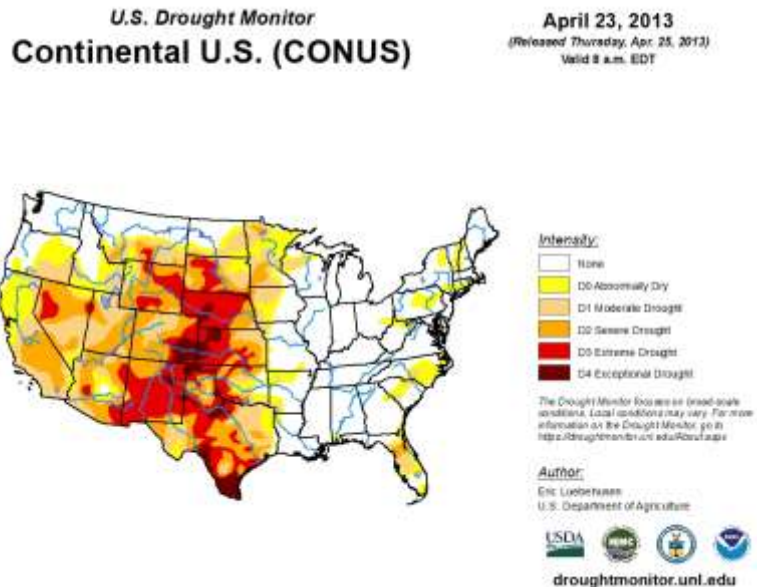
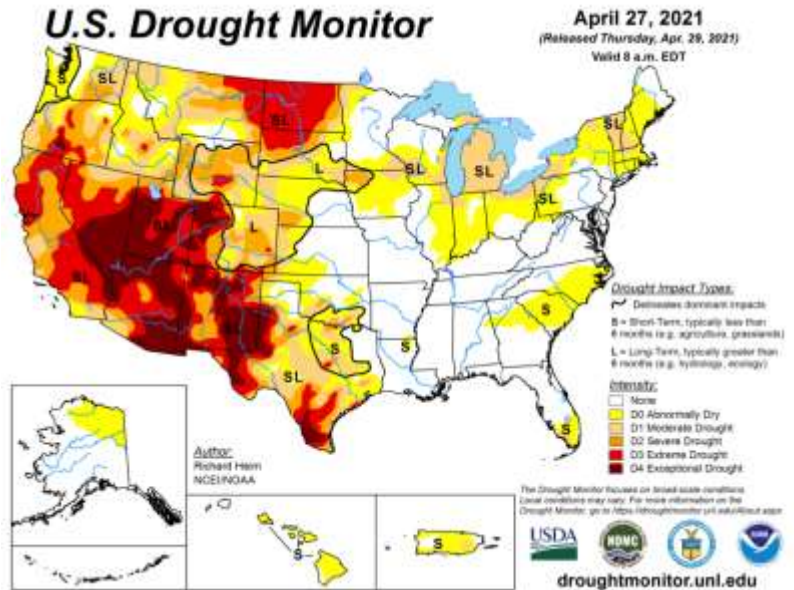
Drought conditions in the Midwest are beginning to creep into planting concerns. The soil moisture continues to show dry conditions. The drought monitor indicates 48% of this region is in drought, although this week most of the area is still in the lowest levels of drought—Abnormally dry to Moderate drought. This set up feels eerily like the severe drought in the 2011/12 marketing year.

From a dryness perspective, this week is similar to April 2013 of the same week. Both drought monitors have about 48% of the continental U.S. in D1-D4 categories. But, in 2013 dryness in the Midwest did not set in. However, in April 2012 drought coverage was less extensive, but spread through the growing season, raising corn prices quickly. Omaha corn prices in April of 2012 and 2013 were \$6.31 and \$6.77 per bushel, respectively, for the comparable week. This year, Omaha is \$6.51 per bushel. In 2012 prices escalated rapidly reaching over \$8 in July and August. In 2013 those prices reached the low \$7s per bushel in June but dissipated rather dramatically, falling to \$4.10 per bushel at the low point in November. Soybean cash prices hit over \$18 per bushel in 2012, and reached over \$16 in 2013.

These price patterns are concerning given the already large drought coverage area in the Midwest this year. Could corn and soybeans this summer increase to levels seen back in 2012 and 2013? For livestock producers these prices were difficult to manage, in part because they were accompanied by widespread poor/very poor pasture and range conditions. The DLR on [September 2, 2020](#) outlined the types of droughts and the impacts that can have on the cattle sector.

Higher feed costs will pressure margins at the grow-out stages. Interest from cattle feeders in the feeder cattle market will be a signpost for how that sector is handling margin compression in the short term. The decline in live cattle contract prices is likely starting to have an impact in

feedlot placements as hedging profits is more difficult than it was a month ago.



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