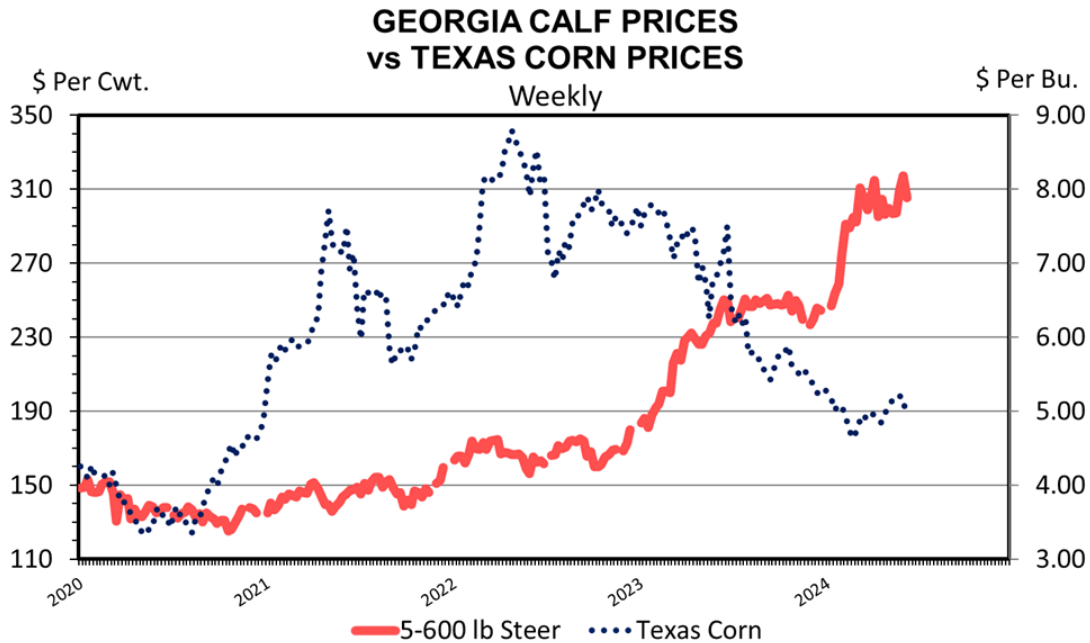


# Beefonomics: Cattle Market Update

## Corn-Feeder Cattle Price Connection

William Secor, Ph.D.

UGA Department of Agricultural & Applied Economics



Data Source: USDA-AMS, Compiled by LMIC  
Livestock Marketing Information Center

The ups and downs of summer weather are upon us affecting a host of agricultural markets. The focus of this note is looking at how feed costs can affect cattle markets, specifically corn prices.

In general, if growing conditions are worse than expected (e.g., a drought), corn prices increase because markets anticipate a smaller than expected crop. In contrast, if growing conditions are better than expected (e.g., ideal weather), corn prices will fall because markets anticipate a larger than expected crop.

For the cattle sector, as corn prices increase, the cost to feed cattle increases. This means that the price feedlots are willing and able to pay for feeder cattle declines, which pushes down feeder cattle prices. The opposite holds true if corn prices drop. Figure 1 shows this connection using Texas corn prices and Georgia cattle prices. The data is noisy, but the general relationship holds. As corn prices increase, feeder cattle prices drop or do not increase. As corn prices decrease, feeder cattle prices tend to increase or hold steady.

Over the last year, corn prices have dropped. This has been supportive of feeder cattle prices. However, since the beginning of the year, corn prices have largely been flat. Currently, feeder cattle prices in Georgia have been hovering around the same levels since mid-April. For 500-600 lb feeder steers prices in early June were around \$305/cwt, while 500-600 lb heifer prices were around \$254/cwt.

These will likely remain flat to decline into the fall as spring-born calves enter sale barns. The risk arises from any production concerns this growing season that may increase corn prices. This could intensify any seasonal decline in feeder cattle prices through the fall.

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