

# Market Tracks

## Cattle and beef prices continue pandemic recovery.

by **Wes Ishmael**

Comparing year-over-year cattle prices always demands context, especially when cyclical supply fundamentals are significantly different, as is the case now versus 12 months ago. Even so, the snapshot illustrated by the accompanying table provides perspective on the direction and degree of market shifting. Data comes from USDA reports. The footnotes detail the specific reports and dates.

Look at the increased year-over-year estimated total cattle slaughter and beef production. You see the effect of beef packing throughput returning closer to pre-pandemic levels.

Blooming negotiated cash fed cattle prices and optimistic cattle

futures suggest cattle and beef supplies are beyond the cyclical peak, helping return more marketing leverage to producers.

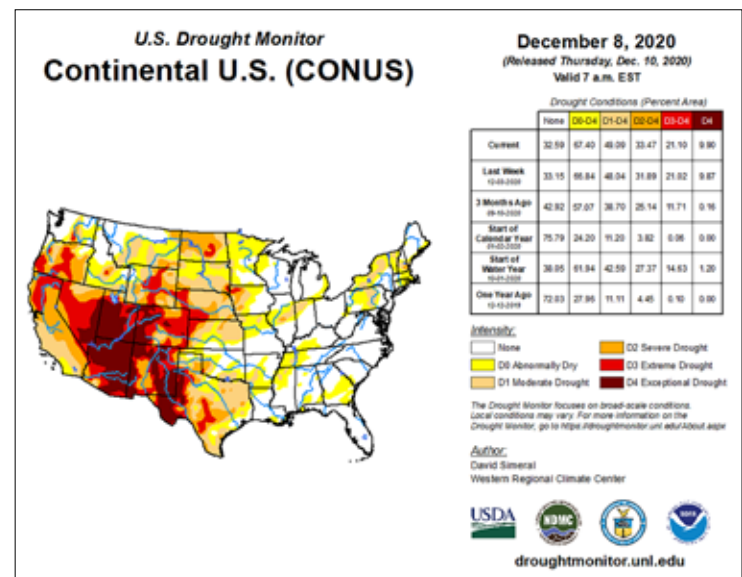
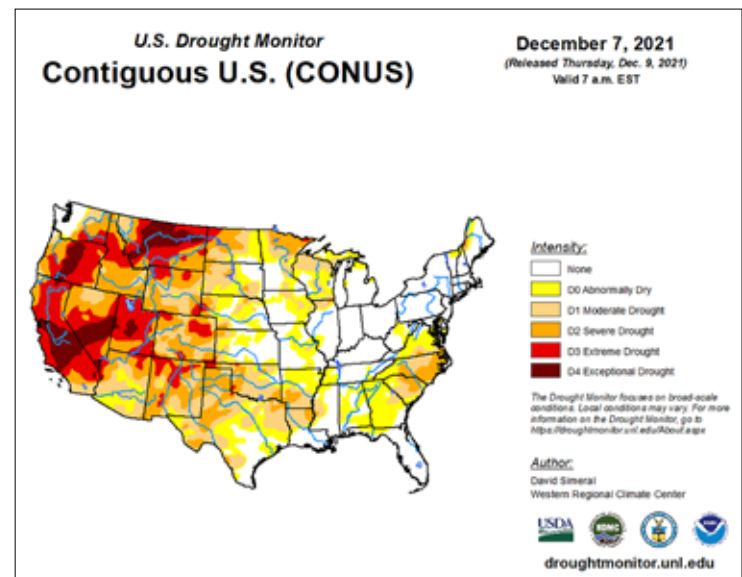
Relatively more price acceleration for calves and feeder cattle at heavier weights illustrates increased incentive for producers to add more pounds to cattle outside the feedlot, given higher feed costs.

### Consumers demand higher quality

Keeping in mind the carcass premiums and discounts depict a simple average of prices paid across five weeks, notice the staggering year-over-year \$31.01 per hundredweight (cwt.) price increase in the premium for USDA Prime grading cattle, compared to USDA Choice. Certainly, the return to more on-premises dining is part of the story. Considered alongside the slight decrease in the price paid for carcasses grading in the upper two-thirds of Choice, there is little question consumers continue to seek more beef of higher quality.

“Today, we have a much better product than we had in the past, and our customers are rewarding us with more dollars,” said Kevin Good, CattleFax market analyst and vice president of industry relations, during the American Hereford Association Annual Membership Meeting and Conference in October. “Think about grade, think about consistency. They are the driving points.”

### Year-Over-Year Drought Differences



The jump in Prime prices is likely also related to consumer access. “Let’s remember that last year, with COVID, we couldn’t sell Prime through restaurants; it went through retail. Every major retail chain in the U.S. now has a premium product offering. Consumers want it, so we’re going to have to provide it,” Good explained. “There will be a time when we produce 20-30% Prime in the national herd, and it’s not that far away.”

On the other side of the carcass quality fence, you’ll notice the discount for Select grading carcasses was less severe year over year during the same weeks. Among other things, this reality speaks to strong ground beef demand and fewer beef imports to the U.S.

The sizeable increase in retail beef prices portrays both demand and inflation. **HW**

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
<b>Regional Feeder Steer Prices<sup>1</sup></b>			
North Central			
600-700 lbs.	152.37	<b>171.56</b>	19.19 (+12.6%)
700-800 lbs.	143.73	<b>164.69</b>	20.96 (+14.6%)
800-900 lbs.	140.99	<b>161.37</b>	20.38 (+14.5%)
South Central			
500-600 lbs.	154.24	<b>171.41</b>	17.17 (+11.1%)
600-700 lbs.	141.47	<b>161.02</b>	19.55 (+13.8%)
700-800 lbs.	137.29	<b>159.66</b>	22.37 (+16.3%)
Southeast			
400-500 lbs.	154.17	<b>167.86</b>	13.69 (+8.9%)
500-600 lbs.	140.34	<b>157.46</b>	17.12 (+12.2%)
600-700 lbs.	130.22	<b>145.52</b>	15.30 (+11.7%)
<b>Average Five-area Direct<sup>2</sup></b>			
Live steer (FOB)	109.75	<b>140.44</b>	30.69 (+28.0%)
Dressed steer (Del)	172.29	<b>219.97</b>	47.68 (+27.7%)
Live heifer (FOB)	110.16	<b>140.89</b>	30.73 (+27.9%)
Dressed heifer (Del)	172.87	<b>219.87</b>	47.00 (+27.2%)
<b>Wholesale Beef Prices<sup>3</sup></b>			
Choice cutout value	243.45	<b>273.17</b>	29.72 (+12.2%)
Select cutout value	219.70	<b>259.43</b>	39.73 (+18.1%)
Byproduct value <sup>4</sup>	8.74	<b>13.98</b>	5.24 (+60.0%)
<b>Average weekly slaughter premiums and discounts<sup>5</sup></b>			
Premium Choice over Choice	5.36	<b>4.93</b>	-0.43 (-8.0%)
Prime over Choice	14.09	<b>31.01</b>	16.92 (+120.0%)
Select under Choice	-17.85	<b>-15.70</b>	2.15 (+12.0%)
<b>Retail beef prices<sup>6</sup></b>			
Choice beef Retail Value	6.35	<b>7.90</b>	1.55 (+24.4%)
All fresh beef Retail Value	6.24	<b>7.55</b>	1.31 (+21.0%)
<b>U.S. beef exports<sup>7</sup></b>			
Value per head Fed slaughter	293.99	<b>394.14</b>	100.15 (+34.1%)
<b>Futures prices<sup>8</sup></b>			
Feeder Cattle Spot Jan	137.575	<b>163.400</b>	25.825 (+18.8%)
Apr	140.050	<b>168.500</b>	28.450 (+20.3%)
Live Cattle near Feb	117.950	<b>138.675</b>	20.725 (+17.6%)
near Apr	118.200	<b>141.875</b>	23.675 (+20.0%)
Corn near Mar	4.144	<b>5.872</b>	1.728 (+41.7%)
Crude Oil <sup>9</sup> near Jan	41.54	<b>72.36</b>	31.72 (+76.4%)

### Estimated cattle slaughter

	Last year million head	This year million head	Change thousand head
<b>Total cattle slaughter<sup>10</sup></b>	29.96	<b>30.84</b>	880,000 (+2.9%)

### Estimated beef production

	Last year billion lbs.	This year billion lbs.	Change million lbs.
<b>Total beef production<sup>10</sup></b>	24.90	<b>25.52</b>	620.0 (+2.5%)

<sup>1</sup>AMS National Weekly Feeder & Stocker Cattle Summary, weeks ending and 12-04/21

<sup>2</sup>USDA Five-area weekly weighted average direct slaughter cattle, weeks ending 12/06/20 and 12/05/21

<sup>3</sup>National Weekly Boxed Beef Cutout And Boxed Beef Cuts (negotiated), 12/03/21 and 11/27/20

<sup>4</sup>USDA steer byproduct drop value (FOB central U.S.), 12/08/20 and 12/08-21

<sup>5</sup>National Weekly five area direct slaughter cattle premiums and discounts, 11/02 to 12/07/20 and 11/01 to 12/06/21

<sup>6</sup>Choice beef values and spreads and all fresh beef retail value, USDA ERS; Oct. 2021 and Oct. 2020

<sup>7</sup>U.S. Meat Export Foundation data January-July.

<sup>8</sup>CME futures 12/08-21 year over year

<sup>9</sup>WTI-CME 12/08/21 year over year

<sup>10</sup>Estimated weekly meat production under federal inspection, year to date 12/04-21