

Market Tracks

Cattle prices step higher.

by **Wes Ishmael**

Wander through the year-over-year market snapshot on this page and you'll see higher cattle prices as market fundamentals take more rein from pandemic impacts.

The table provides quantitative comparisons using data from USDA reports. The footnotes detail the specific reports and dates.

Regional calf and feeder cattle prices were 10-15% higher in the Southeast region, 11-18% higher in the South Central region and 17-19% higher in the North Central region, according to data from USDA's Agricultural Marketing Service.

The monthly five-area direct average fed steer and fed heifer prices were up 22%.

Futures prices and declining cattle supplies suggest increasing optimism as the year continues.

At the same time, inflation driven in part by ongoing supply chain disruptions are evident on the input side of the ledger with spot corn futures 22% higher and crude oil futures up almost 60% compared to a year earlier (see Margin Squeeze, page 24).

Strong beef demand continues

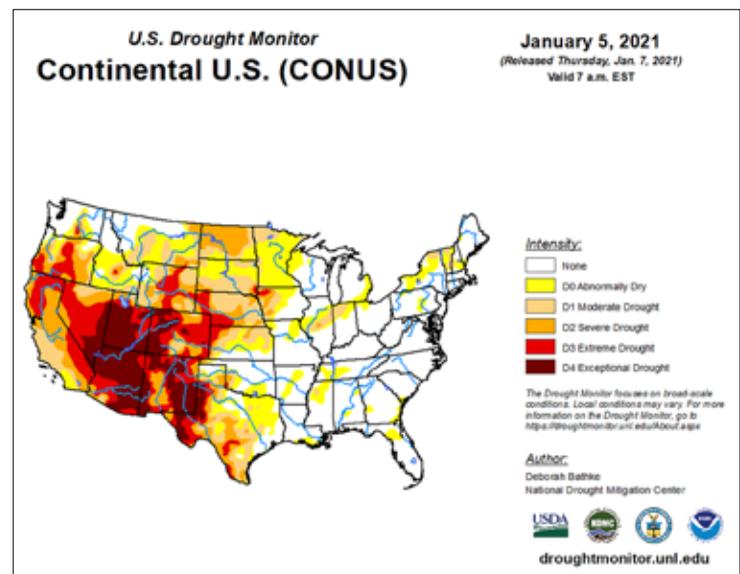
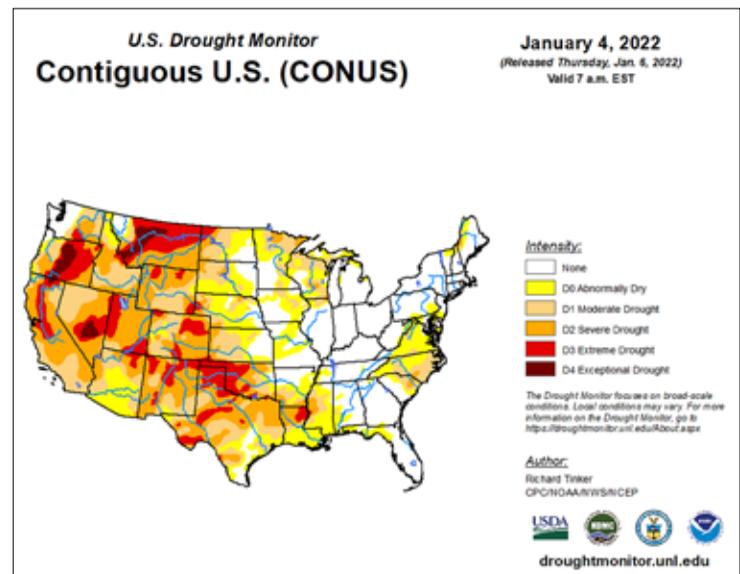
Look at the increased USDA Choice and all-fresh beef retail values and you will see the willingness of U.S. consumers to pay more for beef even amid record large beef supplies. At some point, though, those high prices could also pose demand risk.

Consider the \$394.14 per head of fed slaughter value from U.S. beef exports and you will see international demand strength, as well as the growing importance of that market to U.S. cattle producers.

Drought lingers but shifts

More of the nation was abnormally dry or experiencing some degree of drought at the beginning of 2022 compared to drought a year earlier (see maps). According to the U.S. Drought Monitor, 71.8%

Year-Over-Year Drought Differences



of the nation ranged from abnormally dry (D0) to exceptional drought (D4) versus 61.6% at the same time last year. However, 12.4% was enduring extreme (D3) or exceptional drought (D4) compared to 21.1% at the beginning of 2021.

La Niña conditions will likely continue through the winter with a 60% chance of El Niño-Southern Oscillation (ENSO)-neutral conditions by late spring or early summer, according to ENSO blog analysts. **HW**

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	150.74	175.94	25.20 (+16.7%)
700-800 lbs.	141.42	167.11	25.69 (+18.2%)
800-900 lbs.	136.69	162.99	26.30 (+19.2%)
South Central			
500-600 lbs.	155.94	173.20	17.26 (+11.1%)
600-700 lbs.	141.69	162.07	20.38 (+14.4%)
700-800 lbs.	135.67	160.74	25.07 (+18.5%)
Southeast			
400-500 lbs.	154.44	169.88	15.44 (+10.0%)
500-600 lbs.	139.60	156.68	17.08 (+12.2%)
600-700 lbs.	128.67	148.61	19.94 (+15.5%)
Average Five-area Direct²			
Live steer (FOB)	108.85	133.39	24.54 (+22.5%)
Dressed steer (Del)	170.34	207.97	37.63 (+22.1%)
Live heifer (FOB)	109.03	133.38	24.35 (+22.3%)
Dressed heifer (Del)	170.77	208.55	37.78 (+22.1%)
Wholesale Beef Prices³			
Choice cutout value	209.65	265.03	55.38 (+26.4%)
Select cutout value	196.91	256.65	59.74 (+30.3%)
Byproduct value ⁴	9.09	13.85	4.76 (+52.4%)
Average weekly slaughter premiums and discounts⁵			
Prime over Choice	13.90	23.37	9.47 (+68.1%)
Premium Choice over Choice	4.47	4.57	0.10 (+2.2%)
Select under Choice	-16.36	-15.02	1.34 (+8.2%)
Retail beef prices⁶			
Choice beef Retail Value	6.34	7.85	1.51 (+23.8%)
All fresh beef Retail Value	6.26	7.52	1.26 (+20.1%)
U.S. beef exports⁷			
Value per head Fed slaughter	293.99	394.14	100.15 (+34.1%)
Futures prices⁸			
Feeder Cattle Spot Jan	136.675	162.125	25.450 (+18.6%)
Apr	139.375	169.775	30.400 (+21.8%)
Live Cattle Spot Feb	115.050	137.250	22.200 (+19.3%)
near Apr	119.100	141.950	22.850 (+19.2%)
Corn Spot Mar	4.916	6.022	1.106 (+22.5%)
Crude Oil ⁹ Spot Feb	49.93	77.85	27.92 (+55.9%)

Estimated cattle slaughter

	Last year million head	This year million head	Change thousand head
Total cattle slaughter¹⁰	31.70	32.66	960,000 (+3.0%)

Estimated beef production

	Last year billion lbs.	This year billion lbs.	Change million lbs.
Total beef production¹⁰	26.37	27.05	680.0 (+2.6%)

¹AMS National Weekly Feeder & Stocker Cattle Summary, weeks ending and 12-13/21

²USDA Five-area monthly weighted average direct slaughter cattle (negotiated for Nov.), published 12/08/21

³National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated), December weekly average cutout value summary

⁴USDA steer byproduct drop value (FOB central U.S.), 01/05/21 and 01-05-22

⁵National Weekly five area direct slaughter cattle premiums and discounts, simple average Dec. 2020 and 2021

⁶Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; Nov. 2020 and 2021

⁷U.S. Meat Export Foundation data January-October

⁸CME futures 01/05-22 year over year

⁹WTI-CME 01-05-22 year over year

¹⁰Estimated weekly meat production under federal inspection, year to date 12/27-21