

Market Tracks



Prices continue post-pandemic recovery.

by **Wes Ishmael**

Cattle prices disappointed many through the first six months of 2022 but continued to claw back some sense of seasonal normalcy.

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

Based on three weight ranges, regional calf and feeder cattle prices were 10-14% higher in the Southeast, 12-14% higher in the South Central region and 17-31% higher in the North Central region, according to data from USDA's Agricultural Marketing Service.

The monthly five-area direct average fed steer price was 17% higher on a live basis and 18% higher in the beef, supported by a slaughter rate matching — in some weeks exceeding — pre-pandemic levels.

Packer margins are narrowing as fed cattle prices increase and wholesale beef values decrease with Choice cutout value 8% less year over year. That's with more beef production than anticipated when the year began, due to both drought and economics.

At the same time, inflation made worse by continued supply chain disruptions continues to drive input costs higher. For instance, the spot Corn futures price on the Chicago Mercantile Exchange (CME) was 13% higher and the spot month price for West Texas Intermediate Crude Oil was up 34%.

Beef demand shows fatigue

U.S. consumers continue to pay historically high retail prices for beef but recent data suggests they may be reaching their limit as inflation chews at disposable income. The all-fresh retail beef value in May was \$7.37 per pound, which was 10% more than extraordinarily high levels the previous year.

Willingness to pay (WTP) decreased for five evaluated retail meat products in the June Meat Demand Monitor from Kansas State University, funded in part by the beef checkoff.

Compared to the previous month, WTP declined 23 cents for ribeye steak to \$17.42 per pound and 26 cents for ground beef to \$8.78 per pound. WTP also declined 25 cents for pork chop to \$7.09, 7 cents for chicken breast to \$8.29, 45 cents for shrimp to \$9.16 and 17 cents for beans and rice to \$2.93 per pound.

“Meanwhile, WTP decreased for seven evaluated Food Service meals,” according to the report. “Combined this broadly confirms weakening consumer demand consistent with increased general discussion around consumers being more conservative in their spending.”

However, international beef demand for U.S. beef continues to astound, to the tune of \$478 per head of fed slaughter through the first half of the year.

Fundamentals point higher

Although drought helped extend feedlot placements it also continues to spur significantly more beef cow slaughter, adding to the reduced inventory at the beginning of the year. In other words, all else being equal, numbers and logic suggest cattle markets are on the cusp of a significant step higher for an extended period of time. **HW**

¹AMS National Weekly Feeder & Stocker Cattle Summary, weeks ending 07/02/22

²USDA Five-area monthly weighted average direct slaughter cattle (negotiated for June), published 07/06/22

³National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated), weekly average for 06/27 to 07/01/22 and 06/28 to 07/02/22

⁴USDA steer byproduct drop value (FOB central U.S.), 07/06/21 and 07/06/22

⁵National Weekly five area direct slaughter cattle premiums and discounts, weighted average 07/05/21 and 07/05/22

⁶Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; monthly values (May)

⁷U.S. Meat Export Foundation data Jan. to Apr. 2022

⁸CME futures 07/06/22 year over year

⁹WTI-CME 07/06/22 year over year

¹⁰Estimated weekly meat production under federal inspection, year to date 07/01/22

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	160.79	211.29	50.50 (+31.4%)
700-800 lbs.	152.19	185.53	33.34 (+21.9%)
800-900 lbs.	147.62	172.93	25.31 (+17.1%)
South Central			
500-600 lbs.	168.07	192.39	24.32 (+14.5%)
600-700 lbs.	156.51	178.53	22.02 (+14.1%)
700-800 lbs.	148.87	166.84	17.97 (+12.1%)
Southeast			
400-500 lbs.	158.41	175.61	17.20 (+10.9%)
500-600 lbs.	151.26	169.27	18.01 (+11.9%)
600-700 lbs.	140.84	161.13	20.29 (+14.4%)
Average Five-area Direct²			
Live steer (FOB)	122.02	142.78	20.76 (+22.5%)
Dressed steer (Del)	194.38	229.76	35.38 (+18.2%)
Live heifer (FOB)	121.90	141.27	19.37 (+15.9%)
Dressed heifer (Del)	193.68	230.65	36.97 (+19.1%)
Wholesale Beef Prices³			
Choice cutout value	290.83	265.70	-25.13 (-8.6%)
Select cutout value	268.99	242.08	-26.91 (-10.0%)
Byproduct value ⁴	12.79	13.77	0.98 (+7.7%)
Average weekly slaughter premiums and discounts⁵			
Prime over Choice	11.58	18.29	6.71 (+57.9%)
Premium Choice over Choice	4.64	4.45	-0.19 (-4.1%)
Select under Choice	-28.27	-21.05	7.22 (+25.5%)
Retail beef prices⁶			
Choice beef Retail Value	6.96	7.67	0.71 (+10.2%)
All fresh beef Retail Value	6.73	7.37	0.64 (+9.5%)
U.S. beef exports⁷			
Value per head Fed slaughter	343.70	478.03	134.33 (+39.1%)
Futures prices⁸			
Feeder Cattle Spot Jan	160.625	173.300	12.675 (+7.9%)
Sep	162.725	177.075	14.350 (+8.8%)
Live Cattle Spot Aug	122.400	134.500	12.100 (+9.9%)
near Oct	128.150	139.950	11.800 (+9.2%)
Corn Spot Jly	6.560	7.442	0.882 (+13.4%)
Crude Oil ⁹ Spot Aug	73.37	98.53	25.16 (+34.3%)

Estimated cattle slaughter

	Last year million head	This year million head	Change thousand head
Total cattle slaughter¹⁰	16.71	16.88	170,000 (+1.0%)

Estimated beef production

	Last year billion lbs.	This year billion lbs.	Change million lbs.
Total beef production¹⁰	13.84	13.96	120.0 (+0.9%)