

Market Tracks

Consumer demand and dwindling cattle numbers support upward price trajectory.

by **Wes Ishmael**

Cash cattle prices continue to crawl higher, and Cattle futures suggest higher prices to come, although at a more moderate pace than three months earlier, as feed costs remain in the bleacher seats, interest rates move higher and overall inflation continues upward.

Prices for steers weighing 600-700 pounds ranged from 11.0% higher year over year in the Southeast to 12.8% higher in the North Central region, according to the mid-December Weekly Feeder and Stocker Cattle Summary from the Agricultural Marketing Service. The average steer price for the weight range was \$198.44 per hundredweight (cwt.) in the North Central region, \$194.78 in the South Central region and \$165.02 in the Southeast.

The Dec. 9 CME Feeder Cattle Index was 11.4% higher than the same time a year earlier at \$179.94. Spot January Feeder Cattle futures at the time were about 11% higher year over year at \$183.65.

The five-area monthly weighted average direct fed steer price in November was 15.2% higher year over year on a live basis at \$153.62 per cwt. The average steer price in the beef was 16.5% higher at \$242.34.

Leverage shifts

However, wholesale beef prices are declining as fed cattle prices increase, cutting into packer margins and finally returning some leverage back to producers. For the first week of December, the Choice boxed beef cutout value was \$20.52 less year over year at \$246.23 per cwt. Select was \$33.74 lower at \$220.37.

Consumer preference for high-quality beef remains intact, based on weekly average premium and discounts the middle of December. Year over year, the average premium for Prime grading beef compared to Choice was \$28.04 per cwt. Premium Choice compared to Choice was slightly higher than the same time a year earlier at \$4.83. The discount between Choice and Select grew by \$8.18 year over year to -\$24.13. Although less than a year earlier, the Choice beef retail beef price in November remained historically high at \$7.36 per pound. The all-fresh retail beef price was \$7.15.

Keep in mind, consumers were paying those prices for record-large beef supplies. Year-to-date beef production the second week of December was 334.5 million pounds more than the same time a year earlier at 26.41 billion pounds. That was with an estimated 440,000 head more year-over-year total cattle slaughter as drought drove more beef cows and beef heifers to market. The USDA Economic Research Service projects beef production in 2023 significantly lower than last year (see Set to Climb, Pages 26-27).

International demand for U.S. beef also remained resilient through October. U.S. beef export value equated to \$459.50 per head of fed slaughter, which was \$65.36 more than the same time a year earlier. **HW**

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
Regional Feeder Steer Prices¹			
North Central			
600-700 lbs.	175.94	198.44	22.50 (+12.8%)
700-800 lbs.	167.11	184.54	17.43 (+10.4%)
800-900 lbs.	162.99	181.85	18.86 (+11.6%)
South Central			
500-600 lbs.	173.20	194.78	21.58 (+12.4%)
600-700 lbs.	162.07	180.58	18.51 (+11.4%)
700-800 lbs.	160.74	176.59	15.85 (+9.9%)
Southeast			
400-500 lbs.	169.88	182.46	12.58 (+7.4%)
500-600 lbs.	156.68	172.60	15.92 (+10.2%)
600-700 lbs.	148.61	165.02	16.41 (+11.0%)
CME Feeder Cattle Index²			
	161.51	179.94	18.43 (+11.4%)
Average Five-area Direct³			
Live steer (FOB)	133.39	153.62	20.23 (+15.2%)
Dressed steer (Del)	207.97	242.34	34.37 (+16.5%)
Live heifer (FOB)	133.38	153.50	20.12 (+15.1%)
Dressed heifer (Del)	208.55	242.43	33.88 (+16.2%)
Wholesale Beef Prices⁴			
Choice cutout value	266.75	246.23	-20.52 (-7.7%)
Select cutout value	254.11	220.37	-33.74 (-13.3%)
Byproduct value ⁵	14.06	14.34	0.28 (+2.0%)
Average weekly slaughter premiums and discounts⁶			
Prime over Choice	28.99	28.04	-0.95 (-3.3%)
Premium Choice over Choice	4.64	4.83	0.19 (+4.1%)
Select under Choice	-15.95	-24.13	8.18 (+51.2%)
Retail beef prices⁷			
Choice beef Retail Value	7.85	7.36	-0.49 (-6.2%)
All fresh beef Retail Value	7.52	7.15	-0.37 (-4.9%)
U.S. beef exports⁸			
Value per head Fed slaughter	394.14	459.50	65.36 (+16.6%)
Futures prices⁹			
Feeder Cattle Spot Jan	165.525	183.650	18.125 (+10.9%)
Mar	166.475	185.225	18.750 (+11.3%)
Live Cattle Spot Feb '23	138.850	156.100	17.250 (+12.4%)
Apr '23	142.375	159.900	17.525 (+12.3%)
Corn Spot Mar '23	5.500	6.540	1.040 (+18.9%)
Crude Oil ¹⁰ Spot Feb '23	71.06	73.28	2.22 (+3.1%)

Estimated cattle slaughter

	Last year million head	This year million head	Change thousand head
Total cattle slaughter¹¹	31.51	31.95	440,000 (+1.4%)

Estimated beef production

	Last year billion lbs.	This year billion lbs.	Change million lbs.
Total beef production¹¹	26.08	26.41	334.5 (+1.3%)

¹AMS National Weekly Feeder & Stocker Cattle Summary, weeks ending 12/12/22

²CME Feeder Cattle Index year over year 12/09/22

³USDA Five-area monthly weighted average direct slaughter cattle (negotiated for November), published 12/08/22

⁴National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated), weekly average for 12/05 to 12/09/22 and 12/06 to 12/10/21

⁵USDA steer byproduct drop value (FOB central U.S.), 12/13/21 and 12/12/22

⁶National Weekly five area direct slaughter cattle premiums and discounts, weighted average 12/13/21 and 12/12/22

⁷Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; monthly values (Nov.)

⁸U.S. Meat Export Foundation data Jan. to Oct. 2021 and 2022

⁹CME futures 12/12/22 year over year

¹⁰WTI-CME 12/12/22 year over year

¹¹Estimated weekly meat production under federal inspection, year to date 12/10/22