

# Market Tracks

## Cattle prices stretch higher.

by *Wes Ishmael*

**T**hinning cattle supplies coupled with resilient consumer beef demand continue to push prices higher and faster than earlier expectations.

Feeder steer prices (600-700 pounds) at the start of July were \$61-\$71 per hundredweight (cwt.) higher year over year on a regional basis — up 30-40% — according to USDA's *National Weekly Feeder and Stocker Cattle Summary* (see Table). More broadly, the CME Feeder Cattle Index was

\$231.41 the last day of June, up about 40% year over year.

The weekly average five-area direct fed steer price began July at \$181.33 per cwt. on a live basis. At least on a nominal basis, the price reached a new record high in April at \$173.10. Since then, it has climbed as high as \$188.75.

### **Beef consumers stay hooked**

Wholesale beef values, although beginning their seasonal descent in late June, remain at historically high

levels. The weekly Choice beef cutout value was \$329.19 per cwt. the last week of June, up 24% year over year.

Retail beef prices follow the same pattern with the monthly retail Choice beef price average in May at \$8.08 per pound. So far, consumer beef demand remains steadfast and more resilient than previous history would suggest.

Of course, prices continue to increase for many meat and food items but at a more moderate pace than last year,

according to the latest *Food Price Outlook* from USDA's Economic Research Service.

For instance, food at home prices were 0.1% higher month to month in May and 5.8% higher year over year. Year-to-date prices were 4.7% more than the same time last year when food at home prices were 11.4% more year over year.

Likewise, although U.S. beef exports this year are less than last year's record levels, international demand continues to underpin support.

	Last year \$/cwt.	This year \$/cwt.	Change \$/cwt.
<b>Regional Feeder Steer Prices<sup>1</sup></b>			
North Central			
600-700 lbs.	211.29	<b>273.06</b>	61.77 (+29.2%)
700-800 lbs.	185.53	<b>252.56</b>	67.03 (+36.1%)
800-900 lbs.	172.93	<b>234.88</b>	61.95 (+35.8%)
South Central			
500-600 lbs.	192.39	<b>265.44</b>	73.05 (+38.0%)
600-700 lbs.	178.53	<b>249.65</b>	71.12 (+39.8%)
700-800 lbs.	166.84	<b>234.66</b>	67.82 (+40.6%)
Southeast			
400-500 lbs.	175.61	<b>244.55</b>	68.94 (+39.2%)
500-600 lbs.	169.27	<b>235.60</b>	66.33 (+39.2%)
600-700 lbs.	161.13	<b>225.16</b>	64.03 (+39.7%)
<b>CME Feeder Cattle Index<sup>2</sup></b>			
	165.67	<b>231.41</b>	65.74 (+39.7%)
<b>Average Five-area Direct<sup>3</sup></b>			
Live steer (FOB)	146.16	<b>181.33</b>	35.17 (+24.1%)
Dressed steer (Del)	233.96	<b>289.34</b>	55.38 (+23.7%)
Live heifer (FOB)	144.05	<b>180.65</b>	36.60 (+25.4%)
Dressed heifer (Del)	234.09	<b>289.76</b>	55.67 (+23.8%)
<b>Wholesale Beef Prices<sup>4</sup></b>			
Choice cutout value	265.70	<b>329.19</b>	63.49 (+23.9%)
Select cutout value	242.08	<b>297.12</b>	55.04 (+22.7%)
Byproduct value <sup>5</sup>	13.95	<b>13.22</b>	-0.73 (-5.2%)
<b>Average weekly slaughter premiums and discounts<sup>6</sup></b>			
Prime over Choice	18.29	<b>14.72</b>	-3.57 (-19.5%)
Premium Choice over Choice	4.45	<b>4.83</b>	0.38 (+8.5%)
Select under Choice	-21.05	<b>-28.31</b>	-7.26 (-34.5%)
<b>Retail beef prices<sup>7</sup></b>			
Choice beef Retail Value	767.5	<b>808.2</b>	40.7 (+5.3%)
All fresh beef Retail Value	737.4	<b>750.2</b>	12.8 (+1.7%)
<b>U.S. beef exports<sup>8</sup></b>			
Value per head Fed slaughter	478.03	<b>389.53</b>	-88.50 (-18.5%)
<b>Futures prices<sup>9</sup></b>			
Feeder Cattle Aug	173.600	<b>247.575</b>	73.975 (+42.6%)
Sep	176.225	<b>250.825</b>	74.600 (+42.3%)
Live Cattle Aug '23	147.725	<b>177.175</b>	29.450 (+19.9%)
Oct '23	151.325	<b>179.550</b>	28.225 (+18.6%)
Corn Jly '23	6.274	<b>5.544</b>	-0.730 (-11.6%)
Sep '23	5.972	<b>4.884</b>	-1.088 (-18.2%)
Crude Oil <sup>10</sup> Aug '23	105.76	<b>70.64</b>	-35.12 (-33.2%)

April beef export value per head of fed slaughter was \$441.70, the highest since last July, according to data released by USDA and compiled by the U.S. Meat Export Federation.

Weekly national carcass premiums and discounts also underscore consumer desire for the highest grading beef. Although less than the previous year, Prime carcasses were bringing \$14.72 per cwt. more than premium Choice (upper two-thirds) the first week of July. Premium Choice was bringing \$4.83 more than Choice. Select grading carcasses were discounted \$28.31 per cwt., relative to Choice; the discount was \$7.26 more than the previous year.

### Beef cow liquidation continues

Plenty more price strength is on the horizon — barring

some other confounding black swan event — as cattle numbers decline.

The U.S. beef cow herd at the beginning of 2023 was the smallest since 1962, according to Derrell Peel, Extension livestock marketing specialist at Oklahoma State University (OSU), providing market insights at the recent Cattlemen's Conference at OSU.

By all accounts, national beef cow liquidation continues. Yearling fed heifer slaughter remains elevated, albeit less so than last year.

Through the end of June, estimated year-to-date total cattle slaughter was 580,000 head fewer (-3.4% than the same time a year earlier. Estimated year-to-date beef production was 640 million pounds less (-4.6%). **BA**

### Estimated cattle slaughter

	Last year million head	This year million head	Change thousand head
<b>Total cattle slaughter<sup>11</sup></b>	16.88	<b>16.30</b>	-580,000 (-3.4%)

### Estimated beef production

	Last year billion lbs.	This year billion lbs.	Change million lbs.
<b>Total beef production<sup>11</sup></b>	13.97	<b>13.33</b>	-640.0 (-4.6%)

<sup>1</sup>AMS National Weekly Feeder & Stocker Cattle Summary, weeks ending 7/01/23

<sup>2</sup>CME Feeder Cattle Index year over year 06/30/23

<sup>3</sup>USDA Five-area weekly weighted average direct slaughter cattle (negotiated), for the week ending 07/02/23

<sup>4</sup>National Weekly Boxed Beef Cutout and Boxed Beef Cuts (negotiated, weekly cutout value summary), weekly average for 06/26 to 06/30/23 and 06/27 to 07/01/22

<sup>5</sup>USDA steer byproduct drop value (FOB central U.S.), 07/05/22 and 07/05/23

<sup>6</sup>National Weekly five area direct slaughter cattle premiums and discounts, weighted average week of 07/05/22 and 07/03/23

<sup>7</sup>Meat Price Spreads, Choice beef values and spreads and all fresh beef retail value, USDA ERS; monthly values, cents per pound of retail equivalent (May 2022 and May 2023), cents per pound

<sup>8</sup>U.S. Meat Export Foundation data — YTD January-April 2022 and 2023

<sup>9</sup>CME futures 06/30/23 year over year

<sup>10</sup>WTI-CME 06/30/23 year over year

<sup>11</sup>Estimated weekly meat production under federal inspection, year to date 07/01/23