

In The Cattle Markets

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Choice Beef Production a Little Tighter Than A Year Ago

Beef production has continued to run above a year ago throughout 2018. As usual, digging a little deeper in the numbers reveals some interesting details on type and quality of beef being produced in recent weeks and some implications for prices.

Slaughter and Production Up

Federally inspected beef production over the last month is up 1.1 percent over the same period last year. During the same period fed steer slaughter is down almost 2 percent while heifer and cow slaughter are 4.4 and 7 percent higher than a year ago, respectively. So, all the increase in beef production in recent weeks is coming from heifers and cull cows. It's worth a reminder that cull cow beef goes to a different (but related) market than beef from fed steers and heifers. Cull cow beef most often goes to ground beef.

Production by Quality Grade

Over the last 25 years the beef industry has focused on the production of higher quality and more consistent beef. That is evident in the percent of carcasses grading Prime and Choice versus Select. For example, in September 1997, of the carcasses graded, 2, 51, and 37 percent of carcasses graded Prime, Choice, and Select, respectively. The week of September 15, 2018, almost 8 percent graded Prime, 70 percent graded Choice, and 18 percent graded Select. I would argue that an area of beef demand growth has been in higher quality beef.

While this example illustrates the long term trend in beef production by quality grade, some large differences can occur from week to week. In fact, compared to a year ago, the percent of carcasses grading Choice is down 2.6 percentage points, from 73.02 to 70.42. Select beef carcasses are up almost 1.5 percent while Prime carcasses are up 1.4 percentage points.

The approximate production of Prime, Choice, and Select beef can be calculated using weekly slaughter, fed steer and heifer weights, and the percent of carcasses in each grade. Choice beef production over the last 4 weeks is about 3.2 percent below a year ago. The effect of fewer carcasses grading Choice is compounded by fewer steers and relatively more heifers in the slaughter mix. Fed steer weights are about the same as a year ago while heifers are reflecting heavier weights. This lack of Choice beef is showing up in prices with the Choice cutout at about \$204 per cwt compared to about \$192 a year ago.

The same calculation indicates Prime beef production is up about 25 percent over the last month while Select beef production is up about 7 percent. The Choice-Select spread was about \$10 per cwt at the end of September, up about \$6 compared to last year. The wider spread than a year ago reflects reduced supplies of Choice and more Select beef.

The Markets

Local Texas auction markets continue to indicate rising calf prices. Rain and easing of drought conditions have boosted prices for calves. The rain has also boosted hopes for winter pasture establishment this Fall. Negotiated cash fed cattle prices were around \$111 per cwt last week, down a bit from the week before.

<i>Data Source: USDA-AMS Market News</i>		Week of 9/28/18	Week of 9/21/18	Week of 9/29/17
5-Area Fed Steer	all grades, live weight, \$/cwt	\$110.65	\$110.61	\$108.01
	all grades, dressed weight, \$/cwt	\$173.82	\$174.65	\$171.73
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$205.07	\$204.98	\$195.81
	Choice-Select Spread, \$/cwt	\$11.22	\$9.65	\$5.51
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$163.32	\$163.53	\$153.63
	Nebraska 7-market, \$/cwt	\$166.43	\$170.19	\$168.91
	Oklahoma 8-market, \$/cwt	\$161.34	\$159.14	\$153.35
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$171.00	\$160.58	\$169.89
	Nebraska 7-market, \$/cwt	\$186.62	\$184.11	\$187.53
	Oklahoma 8-market, \$/cwt	\$167.72	\$166.56	\$158.51
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.20	\$3.12	\$3.12
	DDGS, Nebraska, \$/ton	\$135.00	\$133.50	\$107.50