

May 19, 2014

In The Cattle Markets

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Retail Meat Prices

Last week, USDA Economic Research Service updated their monthly retail meat price data. Retail beef and pork prices continue to set new records. The all-fresh retail beef price for April was reported by ERS at 549.6 cents per pound. This is a little over 3% higher than the previous month's record level. The average retail pork price in April was reported as 395.0 cents per pound, also up a little over 3% from the March price. Compared to a year ago, both the all fresh beef and the pork retail prices are up by about 13%.

In contrast to the performance of beef and pork, retail broiler prices headed lower in April according to the ERS data. The retail broiler composite price for April was 192.01 cents per pound – a decline of almost 1% from March. Actually, the retail broiler price is now at its lowest point since last April (when it was 191.20 cents per pound, for the record).

With respect to beef and pork, retail prices have generally moved in the opposite direction from wholesale prices over the past month. For example, the Choice boxed beef cutout averaged about \$10 per hundredweight lower in April than in March this year. The pork cutout averaged close to the same in March and April but was steadily declining through the whole month. Not surprisingly, then, the April retail prices reported by ERS were accompanied by higher wholesale-to-retail margins. For pork, ERS reported a 4.7% increase in the wholesale-to-retail margin between March and April. Still, though, the April wholesale/retail price spread was, with the obvious exception of March, the narrowest since July 2012. For beef, the wholesale-to-retail spread increased considerably more – jumping almost 15% between March and April – but it is still a little below the average of the last couple of years as a percentage of the retail price.

Aside from the fact that retailers probably really did want to see some margin recovery on meat items, another factor working against lower meat prices over the past month was seasonal demand. Moving out of winter into spring, we typically expect to see meat demand improve. This can help keep meat moving at a higher price point. It will be interesting to see what retail prices do in May as the summer demand season really kicks into gear. Will strong demand and tight supplies keep retail prices on beef and pork high, or will summer grillers trade down to lower priced items – both within the beef and pork market spaces or outside of them (e.g., boneless/skinless chicken breasts or thighs or drumsticks)? We shall see.

On the subject of upcoming supplies in the beef sector, USDA National Agricultural Statistics Service (NASS) released the May [Cattle on Feed](#) report on Friday afternoon. The report really didn't contain any surprises. Compared to a year ago, placements were down 5%, marketings were down 2%, and the May 1 on-feed inventory was down 1%. These numbers were all generally in line with pre-report expectations. The placement number was on the low side of average pre-report estimates but was well within the range covered by those estimates. It is

probably worth pointing out that the on-feed inventory has now been below the year-ago level in every month since August 2012. That's obviously a long stretch of year-over-year decline in on-feed numbers. Apropos of that, Cargill [announced](#) last week that they would be laying off a substantial number of workers from their Dodge City, Kansas beef packing plant, citing what from their standpoint are inadequate supplies of cattle for the foreseeable future.

The Markets

Cash fed cattle prices were off a bit last week, with all regions seeing prices slip from the prior week. The weekly 5-Area weighted average live steer price for last week worked out to \$146.43, down from \$148.20 the prior week. Calf markets remain very strong. Last week's [National Feeder and Stocker Cattle Summary](#) report from USDA AMS called yearling prices \$2 to \$5 higher and calf prices steady to \$5 higher. Wholesale beef prices were mixed last week. The market started the week on a low note but generally edged higher from there. For the week, the Choice cutout averaged \$1.23 below the prior week, but the Select cutout averaged \$1.76 higher. Grain prices were lower last week. The [Weekly National Grain Market Review](#) reported terminal market prices on corn as being mostly 20 to 30 cents below the prior week.

| | | Week of 5/16/2014 | Week of 5/9/2014 | Week of 5/17/2013 | % Chg Prev. Week | % Chg Prev. Year | Chg Prev. Week |
|--|------------------------------------|----------------------|---------------------|----------------------|------------------------|------------------------|-------------------|
| <i>Data Source: USDA-AMS Market News</i> | | | | | | | |
| 5-Area Fed Steer | | | | | | | |
| Price | all grades, live weight, \$/cwt | \$146.43 | \$148.20 | \$125.39 | -1% | 17% | (\$1.77) |
| | all grades, dressed weight, \$/cwt | \$233.91 | \$236.42 | \$200.73 | -1% | 17% | (\$2.51) |
| Boxed Beef | Choice Price, 600-900 lb., \$/cwt | \$225.34 | \$226.57 | \$207.49 | -1% | 9% | (\$1.23) |
| | Choice-Select Spread, \$/cwt | \$10.18 | \$13.17 | \$15.16 | -23% | -33% | (\$2.99) |
| 700-800 lb. Feeder | | | | | | | |
| Steer Price | Montana 3-market average, \$/cwt | -- | -- | \$138.04 | NA | NA | NA |
| | Nebraska 7-market average, \$/cwt | \$189.92 | \$194.14 | \$139.88 | -2% | 36% | (\$4.22) |
| | Oklahoma 8-market average, \$/cwt | \$190.36 | \$185.57 | \$132.90 | 3% | 43% | \$4.79 |
| 500-600 lb. Feeder | | | | | | | |
| Steer Price | Montana 3-market average, \$/cwt | -- | -- | \$156.83 | NA | NA | NA |
| | Nebraska 7-market average, \$/cwt | \$248.62 | \$231.73 | \$160.20 | 7% | 55% | \$16.89 |
| | Oklahoma 8-market average, \$/cwt | \$218.62 | \$215.01 | \$154.54 | 2% | 41% | \$3.62 |
| Feed Grains | Corn, Omaha, NE, \$/bu (Thursday) | \$4.71 | \$5.02 | \$7.02 | -6% | -33% | (\$0.32) |
| | DDGS Price, Nebraska, \$/ton | \$214.00 | \$224.30 | \$227.00 | -5% | -6% | (\$10.30) |
| | MWDGS Price, Nebraska, \$/ton | \$98.40 | \$101.00 | \$126.00 | -3% | -22% | (\$2.60) |