

In The Cattle Markets

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Ground Beef Demand

Last week's article by David Anderson provided an update on cow slaughter and cull cow markets. This week, I thought I would continue this discussion by examining one of the main drivers of cull cow markets, ground beef.

To review, cull beef cows contribute to ground beef production as a source of 90% lean trimmings, blended with 50% lean trimmings to make the majority of our ground beef and hamburger. The other two sources of lean trimmings are dairy cows and lean beef imports. For context, in 2019 and 2020, cull beef and dairy cows represented 28.4 percent and 27.6 percent of total U.S. beef trim supplies, respectively. Fed cattle trimmings are the main source of 50% lean trim. In 2020, fed trim accounted for 41.3 percent of total U.S. supplies.

This year, beef cow slaughter has been averaging 9.9 percent above 2020 slaughter and 12.4 percent higher than 2019 slaughter. This means a larger supply of lean trimmings from beef cull cows. All else equal, we would expect lower cull cow and lean trim prices due to larger supplies. However, this has not been the case this year.

Southern Plains slaughter cow prices have averaged 8.1 percent above 2020 and 14.7 percent above 2019 prices. Lower dairy cow slaughter and beef imports (the other two sources of lean trim) have helped support cull cow markets. In 2021, dairy cow slaughter has averaged 0.9 percent below 2020 slaughter and 3.7 percent lower than 2019 slaughter. USDA forecasts beef imports to be down 10 percent this year. Both would support cull cow markets to a point.

Ground beef demand is the other factor driving cull cow values. Examining lean trimmings prices reported by USDA and retail ground beef prices from the Bureau of Labor Statistics provides insights into the ground beef market. Fresh 90% lean trimmings have averaged 4 percent below 2020 prices but 11 percent higher than 2019 prices. BLS data through May 2021 shows that ground beef prices have averaged \$4.04 per pound or 0.5 percent higher than 2020. Lean ground beef prices have averaged 1.6 percent and 9.9 percent above 2020 and 2019 prices, respectively. The only way to have higher prices with larger supplies of cull cows and lean trimmings is with strong ground beef demand.

The Markets

<i>Data Source: USDA-AMS Market News</i>		Week of 7/9/21	Week of 7/2/21	Week of 7/10/20
5-Area Fed Steer	all grades, live weight, \$/cwt	\$122.16	\$123.89	\$95.98
	all grades, dressed weight, \$/cwt	\$198.33	\$198.27	\$157.66
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$283.03	\$290.83	\$204.54
	Choice-Select Spread, \$/cwt	\$22.32	\$21.84	\$8.85
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	--	\$157.92	--
	Nebraska 7-market, \$/cwt	\$171.01	\$155.36	\$147.85
	Oklahoma 8-market, \$/cwt	\$151.11	\$148.65	\$136.67
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$193.36	\$168.06	\$173.55
	Oklahoma 8-market, \$/cwt	\$166.44	\$169.61	\$150.84
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$6.18	\$6.81	\$3.31
	DDGS, Nebraska, \$/ton	\$165.00	\$172.50	\$122.50