

## In The Cattle Markets

Brenda Boetel, Professor

Agricultural Economics, University of Wisconsin-River Falls

### Beef Quality and Production

The first three quarters of 2022 saw beef production 1.7 percent higher than year ago levels. Since the end of August, beef production has averaged a weekly year-over-year increase of 3.7 percent.

Not all beef is the same. The first three quarters of 2022 saw steer slaughter is down 1.7 percent, while heifer slaughter is up 0.9 percent and cow slaughter is up 0.7 percent. Dressed weights for all cattle have averaged 0.86 pounds below 2021 average for the first three quarters. The average decrease is due to the decrease in dressed weights of cow slaughter being down an average of 7.8 pounds relative to 2021. Dressed weights for steer and heifers is up over 4 pounds relative to 2021.

Combining weekly slaughter and dressed weights leaves fed beef production about 1.6 percent higher than a year ago while cow beef is up 4.3 percent. The percent of carcasses presented for grading over the last month that are grading Prime and Choice are running about 1.4 and 0.7 percent below a year ago, respectively. About 0.7 percent more carcasses are grading Select than a year ago.

The Choice boxed beef cutout has averaged \$252.65 since September 1, compared to \$316.90 over the same period in 2021. The Select cutout has averaged \$228.38 versus \$284.21 during the same period in 2021. The Choice-Select spread since September 1 has averaged \$24.26 per cwt this year compared to \$31.69 last year.

The Choice-Select spread tends to increase seasonally from the end of January until mid-June and then decrease until end of September, before resuming an increase until before the December holidays. Except for a short-lived dip after Labor Day, the Choice-Select spread has been steadily increasing since the end of February when the spread was at a negative \$2.00 on February 23, 2022 (meaning Select boxed cutout was higher than Choice boxed cutout).

Even though beef production has remained above 2021 levels, the make-up of the beef production is important. The decrease in beef produced from finished steers and heifers relative to cows has tightened the supply of Choice graded beef, which in turn is widening the Choice-Select spread.

## The Markets

The September 30, 2022 NASS quarterly stocks and small grains summary showed a smaller September 1 corn stocks number than trade had anticipated. Stocks total of 1.377 billion bushels showed 148 million bushels lower than the previous WASDE report, and 120 million bushels below the average trade estimate. Part of the adjustment came from a 41 million bushel drop in 2021-22 yield and production to a revised 15.074 billion bushels. These numbers indicate new crop 2022/2023 ending stocks at the lowest in 15 years.

Soybeans saw a higher-than-expected September 1 stocks number of 274 million bushels, up 30 million bushels from the September WASDE report. The new production of 4.465 billion bushels was due to higher yield and harvested acres, with yield rising to 51.7 bu/acre -- up 0.3 bu/acre.

The USDA Quarterly Hogs and Pigs report showed market hog inventory, at 67.6 million head, down 1.5 percent from last year, but up 1.9 percent from last quarter. It is important to remember that last year's report showed the hog herd down 4 percent from 2020. Market hog numbers were last highest in 2019 and the herd is currently down 6 percent from that high of 72.2 million head of market hogs.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 9/30/22</b>	<b>Week of 9/23/22</b>	<b>Week of 10/1/21</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$144.78	\$144.94	\$122.56
	all grades, dressed weight, \$/cwt	\$229.17	\$228.99	\$195.17
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$246.73	\$250.05	\$297.79
	Choice-Select Spread, \$/cwt	\$25.99	\$25.91	\$26.85
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$180.09	\$188.38	\$152.68
	Nebraska 7-market, \$/cwt	\$189.07	\$192.62	\$161.60
	Oklahoma 8-market, \$/cwt	\$172.43	\$175.07	\$153.36
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$191.56	\$201.68	\$167.90
	Nebraska 7-market, \$/cwt	\$209.20	\$207.54	\$179.32
	Oklahoma 8-market, \$/cwt	\$183.31	\$189.82	\$157.17
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$7.02	\$7.48	\$5.45
	DDGS, Nebraska, \$/ton	\$299.25	\$305.40	\$200.00