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In The Cattle Markets

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Choice Boxed Beef Rallies Late In the Year

Daily choice boxed beef cutout values advanced to the highest level seen since late September 2016 last week, reaching \$190.50 per cwt on December 1. The boxed beef cutout value is a calculation using primal cuts' pricing and yield (rib, chuck, round, loin, brisket, short plate, and flank) for a specific grade.

Rib and tenderloin (loin) values tend to be seasonal, tied to Christmas and New Year's demand. This year the seasonal rally was later than usual. Given larger beef supplies and low prices, retailers did not pre-buy items until consumer demand was more apparent and specials/features/ads were fully fleshed out. As a result, rib pricing reached the highest value of 2016 on December 2nd, of \$387.26 per cwt, rallying from its lowest point of the year in October of \$290.17 per cwt, and increasing 33% since mid-October. Loin values are up over recent weeks, but have not shown the strength relative to ribs. Loins hit the lowest prices in mid-October, as well, and have climbed 6% to \$234.31 per cwt over the last six weeks. Brisket prices have also contributed to the increase in the cutout over the same timeframe. Brisket prices are up 14% since October, adding \$69 per cwt.

Chuck, round, and short plate prices have lost ground from highs set earlier in the year and the week of 11/28/2016 moved opposite of the cutout on December 1st. Still, chuck, round, and short plate prices are off their lows set for the year and are up 3-6%. Flank prices have been the only primal setting an annual low in the last six weeks. The lowest price recorded for the year is \$83.30 per cwt, set the week of 11/28/2016. Seasonally, chucks, rounds and flanks tend to be used more in winter months and end up on consumer tables as roasts and stews. Short plate cuts are more dependent on the export markets, which were slow in the first half of the year but picked up in the third quarter.

Cutout values are still below year ago levels. Rib and brisket primal values are the only cuts showing year over year increases in daily values and ribs will fade with the New Year. Chuck, round, and short plate prices are expected to play a larger role in the cutout movement after the first of the year, but those values now are down 9-15% compared to last year at this time.

The Markets

The 5-area fed cattle prices gained again this week, up nearly \$3 per cwt on a live basis. Data was light for Thanksgiving week, but prices of lighter weight steers were 6-7% higher than the week of 11/18/16, still about 25% below year ago. Heavier feeder weights jumped up this week too, but gained only 4% compared to two weeks ago. Choice boxed beef ended the week averaging \$189.55 per cwt, the highest week since week-ending 9/9/16.

<i>Data Source: USDA-AMS Market News</i>		Week of 12/2/16	Week of 11/25/16	Week of 12/4/15
5-Area Fed Steer	all grades, live weight, \$/cwt	\$114.03	\$111.05	\$123.39
	all grades, dressed weight, \$/cwt	\$174.85	\$173.03	\$193.85
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$189.55	\$186.29	\$204.13
	Choice-Select Spread, \$/cwt	\$16.74	\$16.47	\$11.26
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$126.27	--	\$154.80
	Nebraska 7-market, \$/cwt	\$137.76	\$136.99	\$166.47
	Oklahoma 8-market, \$/cwt	\$134.27	--	\$165.72
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$144.16	--	\$191.47
	Nebraska 7-market, \$/cwt	\$152.25	\$155.10	\$198.60
	Oklahoma 8-market, \$/cwt	\$150.76	--	\$195.30
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.22	\$3.23	\$3.65
	DDGS, Nebraska, \$/ton	\$107.50	\$107.50	\$131.20