

July 17, 2023

In The Cattle Markets

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Cutout Slides After July 4th

We're past the 4th of July holiday and into the long, Dog Days until Labor Day. Grilling season is certainly a demand driver in the beef market, especially for some cuts. But, you still have to sell beef the rest of the year too. Some interesting things are happening in wholesale and retail beef markets that will have some implications for cattle prices over the next couple of months.

The weekly average Choice cutout dropped to \$309.65 per cwt for the week ending July 14th. That was \$29.98 per cwt lower than its peak for the year at \$339.93 per cwt for the week of June 16th. All of the primal cuts have declined over the last 4 weeks but, the biggest declines have been in the middle meats. The rib and loin primal cuts are \$64.75 and \$52.23 per cwt, respectively, from their highs during the last month. The decline in these cut's prices are the biggest share of the cutout decline.

One of the most interesting primal cuts this year has been the short plate. Over the last 5 years, the short plate increases in value by about 40 percent from the beginning of the year until about June before declining seasonally for the rest of the year. This year short plate prices climbed 60 percent before declining over the last 4 weeks. Anecdotally, you might have seen a few more items from this primal in your grocery store meat case this year.

The Choice-Select spread has been at lofty heights greater than \$30 per cwt over the last 4 weeks. That is well above the 5 year average. The historically wide spread is likely due to tighter supplies of Choice beef compared to a year ago amid continued demand by consumers.

Where to from here? No doubt the dog days of summer are here, on top of the abnormal heat wave many in the U.S. are feeling. Certainly tighter beef supplies will remain. The Choice cutout typically declines this time of the year, as do most primal cuts. Monthly retail Choice beef prices climbed to a record high of \$8.13 per pound in June. That was on top of May's record high \$8.08 per pound. Falling wholesale beef prices may lead to some declines in retail prices in the coming two months. Declining wholesale beef prices may lead to lower fed cattle prices, as well. Although packers are caught in the cyclical bind of declining cattle numbers.

The Markets

Lower corn prices than a year ago continue to boost feeder prices. But, the widening gap between feeder and fed prices and future fed prices has contributed to a pullback in prices. Two interesting USDA reports will be released Friday, The Cattle on Feed and the July Cattle

inventory report. I think the most interesting data points to watch for in the two reports will include: The number of heifers on feed, total feedlot placements, the estimated number of beef cows, and the estimated calf crop.

<i>Data Source: USDA-AMS Market News</i>		Week of 7/14/23	Week of 7/7/23	Week of 7/15/22
5-Area Fed Steer	all grades, live weight, \$/cwt	\$184.27	\$182.06	\$142.12
	all grades, dressed weight, \$/cwt	\$291.34	\$289.99	\$229.48
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$309.95	\$321.97	\$268.27
	Choice-Select Spread, \$/cwt	\$29.86	\$31.32	\$26.25
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$242.96	\$247.00	\$179.00
	Nebraska 7-market, \$/cwt	\$270.38	\$275.75	\$200.69
	Oklahoma 8-market, \$/cwt	\$241.99	--	\$170.74
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$286.00	--	\$201.52
	Nebraska 7-market, \$/cwt	\$321.09	\$316.41	\$222.95
	Oklahoma 8-market, \$/cwt	\$278.26	--	\$190.66
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$5.64	\$5.62	\$7.45
	DDGS, Nebraska, \$/ton	\$200.13	\$208.63	\$230.00