

Beef Demand, Retail Prices Rose In 2011



**GLENN GRIMES AND
RON PLAIN**

Agricultural Economists,
University of Missouri

outlook

Retail beef prices set a new record in December for the fourth month in a row. The average grocery store price for choice beef was \$5.016 per pound, up 1.5 cents from November and 57.8 cents higher than in December 2010. Retail beef prices have been above year-ago for 22 consecutive months.

The 5-area average price for slaughter steers was \$121/cwt in December, down \$2.50 from November, but up \$17.70 from a year earlier.

Based on preliminary data, beef demand was up 4 percent in December and up 1 percent for all of 2011. Beef demand was down in 2008, 2009 and 2010.

Cow slaughter in 2011 totaled 6.712 million head, the most since 1996. Beef cow slaughter was up 4.6 percent from 2010 and dairy cow slaughter was up 3.8 percent. High cow slaughter with feeder cattle prices are at record levels is an odd combination. In this case, the extreme drought in the southern plains overrode the economic incentive to expand the cow herd.

Beef cutout value was higher this week. On Friday morning, the choice boxed beef carcass cutout value was \$184.17/cwt, up \$2.73 from last week. The select carcass cutout was up \$3.90 from the previous Friday to \$179.21 per hundred pounds of carcass weight. The choice-select spread, \$4.96, was down \$1.18 from a week earlier to the lowest level since August 22.

Fed cattle prices were higher this week but on extremely light volume, only 550 head. Through Thursday, the 5-area average price for slaughter steers sold on a live weight basis was \$123.00/cwt, down \$2.67 from last week, but \$18.69/cwt above the same week last year, and the highest of record. There was no price quote for steers sold on a dressed weight basis this week.

This week's cattle slaughter totaled 608,000 head, down 3.2 percent from the week before and down 7.0 percent compared to a year ago. The average steer dressed weight for the week ending January 14 was 854 pounds, up 3 pounds from the week before and up 5 pounds from a year ago.

Feeder cattle prices across the country this week were unevenly steady compared to last week. The Oklahoma City auction prices were \$4 lower to \$4 higher with the ranges for medium and large frame #1 steers: 400-450# \$185.50-\$197.50, 450-500# \$184.50-\$191.50, 500-550# \$168.50-\$180.50, 550-600# \$162-\$173.50, 600-650# \$156.50-\$172, 650-700# \$154.50-\$158.75, 700-750# \$150.75-\$158.25, 750-800# \$147-\$154.50, 800-900# \$141.25-\$150.25, and 900-1000# \$133.50-\$144.50/cwt.

The February live cattle futures contract settled at \$124.70/cwt today, up 15 cents compared to last Friday. The April contract closed at \$128.45/cwt, up 73 cents for the week. June settled at \$127.17 and August closed at \$128.95.

USDA's semi-annual cattle inventory report was bullish on cattle prices in the coming year. More next week. Δ

GLENN GRIMES AND RON PLAIN: Agricultural Economists, University of Missouri



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