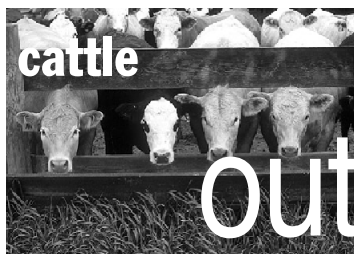


Decline In Meat Supply Driven By Red Ink From Feed Costs



**GLENN GRIMES AND
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outlook

The per capita supply of red meat and poultry is expected to be lower in 2011 for the fifth consecutive year; down 2.6 pounds from last year and the smallest since 1997. The forecast is for only 57.8 pounds of retail weight beef per person, the smallest supply since 1952. The decline in meat supply has been driven largely by red ink caused by high feed costs. Unfortunately, the cost of gain is likely to be record high this year.

The cattle outlook is encouraging for the next several years. The 2010 calf crop was smaller than the year before for the 15th year in a row. Cow slaughter in 2010 was up nearly 5 percent from the year before. Cow slaughter last year equaled 16 percent of the January cow inventory, the highest percentage since 1986. Thus, the 2011 calf crop should be down again promising reduced cattle slaughter for several more years.

The key to how high cattle and hog prices will get this year is what happens with meat demand. If the economy improves we should see record cattle prices this year. The unemployment level dropped to 9.4 percent in December which is good news, but the number of jobs added last month disappointing.

The boxed beef cutout value moved higher this week. On Friday morning the choice boxed beef carcass cutout value was \$165.87/cwt, up \$2.68 for the week. The select cutout was up

\$2.95/cwt from the previous Friday to \$160.14 per hundred pounds of carcass weight.

Fed cattle prices were a bit lower this week. The 5-area daily weighted average price for slaughter steers sold through Thursday of this week on a live weight basis was \$105.45/cwt, down 86 cents from a week earlier. Steers sold on a dressed weight basis this week averaged \$168.13/cwt, 98 cents lower than the week before. This week last year slaughter steer prices averaged \$84.17/cwt live and \$136.47/cwt dressed.

This week's cattle slaughter totaled 639,000 head, up 12.3 percent from the week before but down 1.2 percent compared to the same week last year. This was the first week with cattle slaughter below the year-ago level since the week ending on July 10, 2010.

Steer carcass weights averaged 855 pounds during the week ending December 25. That was up 3 pounds from the week before and 14 pounds heavier than a year ago.

Cash bids for feeder cattle around the country this week were mostly steady to \$3 higher. Oklahoma City prices were \$2 to \$5 higher than the pre Christmas levels with price ranges for medium and large frame #1 steers were: 400-450# \$142.50-\$154, 450-500# \$142-\$149, 500-550# \$134.75-\$145, 550-600# \$126-\$140, 600-650# \$122.50-\$134, 650-700# \$121-\$129.75, 700-750# \$121.75-\$129.25, 750-800# 118-\$124.50, and 800-1000# \$112.25-\$121/cwt.

The February fed cattle futures contract ended the week at \$106.37/cwt, down \$1.98 from a week ago. The April contracted closed out the week at \$110.55/cwt and June settled at \$108.40/cwt. Δ

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