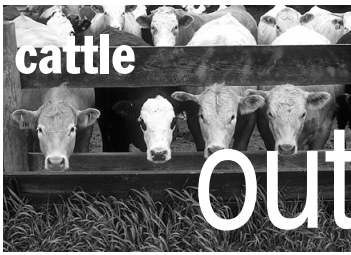


Despite Cutout Value Drop, Cattle Prices Soar



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Fed cattle prices rose for the third consecutive week, breaking the record highs set in early November. The 5-area average price for slaughter steers sold through Thursday of this week on a live weight basis was \$127.90/cwt, up \$3.00 from last week, up \$2.51 from the record set in early November, and \$25.28/cwt above this week last year. Steers sold on a dressed weight basis averaged \$203.32/cwt, \$3.35 higher than the week before and also a new record.

These record cattle prices occurred despite a drop in cutout value. On Friday morning, the choice boxed beef carcass cutout value was \$191.71/cwt, down \$4.46 from last week. The select carcass cutout was down \$3.62 from the previous Friday to \$173.46 per hundred pounds of carcass weight. The choice-select spread, \$18.25, was down 84 cents from a week earlier, but 66 percent higher than a year ago. The cutout value of choice steers is \$11.61/cwt below the dressed weight cattle price. This will not last long.

This week's cattle slaughter totaled 666,000 head, up 17.9 percent from the week before, which was low because of Thanksgiving, but down 2.2 percent compared to the same week last year. The average steer dressed weight for the week ending November 19 was 852 pounds,

the same as the week before, and up 1 pound from a year ago.

Cash bids for feeder cattle around the country this week were mostly \$1 to \$10 higher than the week before. Prices this week at Oklahoma City were steady to \$12 higher with price ranges for medium and large frame #1 steers: 400-450# \$186-\$197, 450-500# \$176-\$188, 500-550# \$166-\$173, 550-600# \$154-\$166, 600-650# \$140-\$157, 650-700# \$142-\$155.75, 700-750# \$145.50-\$153, 750-800# \$144-\$149.50, 800-900# \$140-\$145.25 and one small lot of 900-1000# at \$123/cwt.

The December live cattle futures contracted ended the week at \$121.90, up 80 cents from the previous Friday. The February contract settled at \$123.25/cwt today and the April contract ended the week at \$126.90, up \$1.20 from last week's close. The December 2012 live cattle contract ended the week at \$129.00/cwt.

The unemployment rate dipped to 8.6 percent in November. But, that was mixed news as employers added 120,000 jobs during November, but 315,000 people gave up looking for a job.

Retail beef prices are at a record level, but that is driven by tight supply more than strong demand. The U.S. beef supply in 2011 is only 57.6 pounds per American, down 2 pounds from last year, down for the fifth consecutive year and the lowest since 1952. Per capita red meat and poultry supply is down 3.2 pounds from 2010 and the lowest since 1991. If the economy is able to sustain growth and pull the unemployment level down, meat demand will almost certainly improve, pushing beef and cattle prices to new record highs. Δ

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