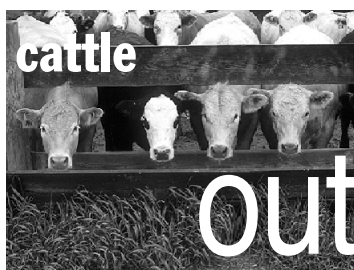


Domestic Beef Demand Continues To Drop



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Argentina has long been one of the world's largest beef exporting countries, but it appears that the government there has decided to stop issuing export licenses for beef. The Argentine government has worked for some time to keep their beef prices low which, not surprisingly, has led to a smaller cattle industry. Restricting exports now has become the next step in preventing their beef prices from rising.

The average price of choice beef at retail during February was \$4.204 per pound. That was 1.5 cents higher than in January, but 16.4 cents lower than in February 2009. Based on preliminary estimates, it looks like the supply of beef on the domestic market in January and February was down compared to last year. A year-over-year decline in the retail beef price even though supply is smaller means domestic beef demand continues to drop.

Slaughter steer prices were \$8.10/cwt higher in February than 12 months earlier. Higher slaughter steer prices and lower retail beef prices means the middlemen's margins were squeezed. The February farm-to-retail price spread was the lowest since July 2008. That is good for cattlemen, but it won't last.

For the time being, the markets are betting they can push retail beef prices higher. On Friday morning, the choice carcass cutout value was \$1.561/pound, up 7.07 cents for the week,

and 23.17 cents higher than last year. This is the highest choice cutout since November 2008. The select cutout was up 6.37 cents from the previous Friday to \$1.5457 per pound.

Fed cattle prices were sharply higher this week. The 5-area daily weighted average price for slaughter steers sold through Thursday of this week on a live weight basis was \$94.25/cwt, up \$4.43 from a week earlier and \$12.34 higher than a year ago. Steers sold on a dressed basis this week averaged \$151.83/cwt, \$7.01 higher than the week before and \$19.38 higher than the same week of 2009. These are the highest weekly average prices since early October 2008.

This week's cattle slaughter equaled 616,000 head, down 0.3% from the previous week, and down 0.3 percent compared to a year ago. Steer carcass weights averaged 825 pounds the first week of March which was the same as the week before and 26 pounds lighter than a year ago. Steer weights have been below year-earlier levels for each of the last 15 weeks.

Cash bids for feeder cattle this week were steady to higher at most locations around the country. The price ranges at Oklahoma City for medium and large frame steers were: 400-450# \$134.50-140, 450-500# \$126.50-134, 500-550# \$120-\$125, 550-600# \$116-\$124.50, 600-650# \$110.50-\$118.50, 650-700# \$107.75-\$115, 700-750# \$104-\$108, 750-800# \$97.75-\$105, and 800-1000# \$92-\$100/cwt.

Both feeder cattle and fed cattle futures had a good week. The April live cattle futures contract ended the week at \$97.97/cwt, up \$2.87 for the week. June settled at \$95.12, up \$2.32 from the week before. August settled at \$92.47/cwt and the October live cattle contract ended the week at \$94.45. Δ

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