

Exports Is One Bright Spot For Beef Demand



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

With a tight beef supply (per capita consumption this year is expected to be the lowest since 1952) the primary obstacle to high cattle prices is weak demand. A big factor in meat demand is the strength of the economy. When people have more money to spend they usually spend some of it on meat. Last year, consumers spent 0.73 percent of their disposable income buying beef. A strong economy with increasing employment and rising income is positive for meat demand. Unfortunately, that is not what we have. The Labor Department reported today that the nation's unemployment level rose slightly in August to 9.6%. The futures market is forecasting fed cattle prices at \$1 per live pound for much of the upcoming winter. That looks readily achievable if the economy improves.

The one bright spot for beef demand this year has been exports. In the first half of 2010 export demand for beef was up 28 percent but domestic retail demand was down 5 percent.

Fed cattle prices dropped back this week after four weeks with higher prices. The 5-area daily weighted average price for slaughter steers sold through Thursday of this week on a live weight basis was \$96.45/cwt, down \$2.60 from a week earlier but \$13.81 higher than a year ago. Steers sold on a dressed weight basis averaged \$152.69/cwt this week, down \$2.31 from the

week before but \$22.95 higher than last year.

This week's cattle slaughter totaled 669,000 head, down 1.3 percent from the previous week but up 1.1 percent compared to the same week last year.

Steer carcass weights averaged 840 pounds during the week ending August 21. That was the same as the week before and 15 pounds lighter than a year ago. This was the 39th consecutive week with steer weights below year earlier levels. With cattle futures higher than cash prices, look for carcass weights to increase in coming weeks.

On Friday morning, the choice boxed beef carcass cutout value was \$1.6351/pound, down 1.08 cents for the week but 21.29 cents higher than last year. The select cutout was down 1.33 cents from the previous Friday to \$1.5624 per pound.

Feeder cattle prices are being pressured by rising corn prices. September corn futures are 75 cent higher than 6 weeks ago. Cash bids for feeder cattle this week were mostly in the range of \$3 lower to \$1 higher than last week. The price ranges at Oklahoma City for medium and large frame steers were: 400-450# \$135-\$141, 450-500# \$122-\$134.50, 500-550# \$120-\$131.50, 550-600# \$117.25-\$123.25, 600-650# \$109.50-\$121.50, 650-700# \$110-\$118, 700-750# \$113-\$118, 750-800# \$110.50-\$116.25, and 800-1000# \$102-\$113/cwt.

The October fed cattle futures contract ended the week at \$98.45/cwt, down 35 cents from a week earlier. The December contract closed at \$100.65/cwt and the February contract settled at \$101.65. September corn ended the week at \$4.4975 per bushel. Δ

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



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