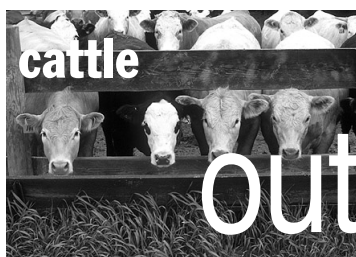


High Gas Prices Are Drag On Meat Demand



**GLENN GRIMES AND
RON PLAIN**

Agricultural Economists,
University of Missouri

The U.S. Commerce Department says the real gross domestic product grew only 1.8 percent in the first quarter of 2011, down from 3.1 percent growth in the fourth quarter of 2010 and the slowest growth since the second quarter of 2010. During the 7 quarters since the official end of the recession, real GDP growth has averaged only 2.8 percent. It is generally felt real GDP growth needs to be above 2.5 percent to cause the unemployment rate to fall.

The average price of gasoline is now \$3.93 per gallon, up \$1.03 from a year ago and \$1.83 higher than two years ago. Historically, high gasoline prices have been a drag on meat demand.

The broiler industry appears to have been too optimistic about demand growth. USDA is forecasting 2011 broiler production will be up 1.4 percent. Pilgrim's Pride reported a net loss of \$120.8 million for the first quarter of 2011. The March retail price of boneless choice sirloin was up 14.9 percent and boneless pork chops were up 14.6 percent, but retail boneless chicken breast prices were down 1.3 percent compared to March 2010.

Both cattle and beef prices were lower this week. On Friday morning the choice boxed beef carcass cutout value was \$182.88/cwt, down \$3.40 from last week. The select carcass cutout was down \$2.36 from the previous Friday to

\$177.21 per hundred pounds of carcass weight.

The 5-area daily weighted average price for slaughter steers sold through Thursday of this week on a live weight basis was \$116.81/cwt, down \$2.49 from last week. Steers sold on a dressed weight basis this week averaged \$186.93/cwt, \$4.44 lower than the week before.

This week's cattle slaughter totaled 615,000 head, down 5.2 percent from the week before and down 7.1 percent compared to the same week last year.

Cash bids for feeder cattle around the country this week were mostly steady to \$5 lower with some heavier feeders higher than last week. Oklahoma City prices were steady to \$3 lower on stocker cattle and steady to \$3 higher on feeder cattle than the previous week with price ranges for medium and large frame #1 steers: 400-450# \$157-\$162, 450-500# \$154-\$159, 500-550# \$146-\$151.50, 550-600# \$147-\$151.50, 600-650# \$140.75-\$148.25, 650-700# \$137-\$143.50, 700-750# \$135.50-\$140.50, 750-800# \$129.25-\$137, 800-900# \$122-\$133.25 and 900-1000# \$117-\$123/cwt.

The June fed cattle futures contract ended the week at \$113.35/cwt, down \$1.88 from last week's close. The August contract closed out the week at \$115.70/cwt. October settled at \$120.72 and December ended the week at \$122.90/cwt.

USDA's latest crop progress report estimates 9 percent of the corn acres was planted by April 24, down from 46 percent planted on that date last year and a 5-year average of 23 percent planted.

The May corn futures contract gained 17 cents this week to close at \$7.54/bushel. December corn settled at \$6.68/bu. Δ