

Processor, Retailer Benefit From Higher Retail Prices



**GLENN GRIMES AND
RON PLAIN**

Agricultural Economists,
University of Missouri

Retail prices for Choice beef at \$4.24 per pound were up 1.7 percent from April 2008 but down 1.3 percent from May 2007. Retail beef prices for January-May were up 0.7 percent from 12 months earlier.

Only the processor and retailer benefited from these higher retail prices. The retailer-processor margin for January-May was up 9.5 percent from last year. The packers' margin was down 10.7 percent for these five months and the prices for fed steers for the five-market area were down 2.4 percent from 2007.

Most of the increase in prices that will result from the higher feed grain prices are still in the future. Just how long it will take to work the numbers down is not known but at least a year or more. The North American cow herd on January 1 was down only 0.6 percent from 12 months earlier.

Cow slaughter for 2008 through week ending May 31 was up 4.8 percent from 2007 and up 20.7 percent from 2006. Dairy cow slaughter was up one percent from a year earlier and up 15 percent from two years earlier. Beef cow slaughter was up 7.6 percent from 12 months earlier and up 25 percent from 24 months earlier. Producers are reducing the cow herd, but our ability to calculate the rate of decline is not very good.

Corn prices in the futures market hit \$8 per bushel this week. Feeder cattle prices continue to be pushed lower by the high feed prices.

For Oklahoma City this week, feeder steers and heifers were steady to \$3 per cwt lower than

a week earlier. Steer and heifer calves were \$1-3 per cwt lower with some unweaned calves \$4-5 per cwt lower.

The prices for medium and large frame number one steers by weight groups at Oklahoma City this week were: 400-500 pounds \$113-123.50 per cwt, 500-600 pounds \$110-112 per cwt, 600-700-pound calves \$98-107.50 per cwt, 600-700-pound yearlings \$107.50-112 per cwt, 700-800 pounds \$105-108.25 per cwt and 800-1,000 pounds \$97-108.75 per cwt.

The fed cattle cash market was slower developing this week than last week even with 114 thousand head changing ownership in the negotiated market through Thursday. The weighted average price for live fed cattle through Thursday for the five-market area at \$93.85 per cwt was up \$0.73 per cwt from a week earlier. The weighted average carcass price for negotiated cattle through Thursday for the five-market area at \$149.85 per cwt was up \$2.95 per cwt from seven days earlier.

Wholesale beef prices Friday morning showed Choice beef at \$159.12 per cwt, up \$2.68 per cwt from last week. Select beef at \$153.66 per cwt was up \$1.53 per cwt from a week earlier.

Based on trade estimates the number of cattle on feed June 1 was below a year earlier for the second month in a row. The estimates are that placements during May were down 9.6 percent and marketings during May were up 1.7 percent from 12 months earlier.

Slaughter this week under Federal Inspection was estimated at 694 thousand head, down 0.9 percent from a year earlier.

The cattle on feed report for June 1 came in a little more positive than the trade reports. The number on feed June 1 was down 4.1 percent, the trade estimates average was for a 2.8 percent decline. Placements on feed during May were down 11 percent, the trade estimate were for a 9.6 percent decline. Fed marketings were up 2.6 percent and trade expected the number marketed would be up 1.7 percent. Δ