

Texas Plant Closes; 2,000 People Unemployed



**GLENN GRIMES AND
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The big news this week was Cargill's announcement that they would close their Plainview, Texas cattle slaughter plant on February 1. Cargill says the plant has approximately 2,000 employees and a daily slaughter capacity of 4,650 head.

Beef packers have been struggling with surplus capacity. The 2012 calf crop was smaller than the year before for the 17th consecutive year. Beef packer gross margin (value of product sold minus cost of a steer) averaged \$117.42 per head in 2012. That was \$16.10 under 2011's average and \$55.10 lower than in 2010, and the lowest annual average since before 2004. The plant's closure should enhance packer margins by lowering fed cattle prices.

The February live cattle futures contract closed at \$124.95/cwt, down \$5.65 from the previous Friday. April cattle settled at \$129.82/cwt, down \$4.73 for the week. June fed cattle contracts ended the week at \$126.25/cwt. January feeder cattle futures ended the week at \$143.90, \$5.97 lower than last Friday. March feeders lost \$5.10 this week.

The average retail price of beef in December was \$5.118 per pound. That was down 3.4 cents from November and down 10.2 cents from December 2011. The average retail beef price in 2012 was \$5.023 per pound, 19.6 cents above the 2011 record.

The 5 area average live price for slaughter

steers in December was \$125.50/cwt, down 60 cents from November, but up \$4.50 compared to December 2011. The average fed steer live price in 2012 was \$122.96/cwt. That is up \$8.45 from the 2011 record.

Through Thursday, the 5-area average price for slaughter steers sold on a live weight basis was \$124.20/cwt, down \$2.16 from last week and down \$1.47 from the same week last year. On a dressed weight basis steers averaged \$197.76/cwt this week, down \$6.34 from the week before and down \$4.94 from a year earlier.

Beef carcass cutout values also were lower this week. On Friday morning, the choice boxed beef carcass cutout value was \$191.02/cwt, down \$3.20 from last Friday, but up \$9.58 from a year ago. The select carcass cutout was \$182.52/cwt, down \$1.29 for the week, but up \$7.21 year-over-year.

This week's cattle slaughter totaled 615,000 head, down 1.4 percent from the week before and down 0.6% from the same week last year. The average steer dressed weight for the week ending on January 5 was 876 pounds, up 3 pounds from the week before and up 25 pounds from a year ago. This was the 52nd consecutive week with steer weights above the year-earlier level. It has been a year since steer slaughter weights were down.

Price ranges at the Oklahoma City auction this week for medium and large frame #1 steers were: 400-450# \$185.50-\$200, 450-500# \$177-\$197, 500-550# \$169.25-\$189, 550-600# \$154-\$174.50, 600-650# \$152-\$167, 650-700# \$148.50-\$154, 700-750# \$147-\$152.25, 750-800# \$144-\$148, 800-900# \$138-\$147, and 900-1000# \$139-\$141.50/cwt. Feeder cattle prices were \$2 to \$5 lower than last week. Δ

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