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Choice-Select Spread Weakens

The spread between USDA's light Choice boxed beef cutout value and the light Select cutout value narrowed sharply over the last month. The weekly light Choice-Select cutout averaged \$20.46/cwt. in mid-May. Last week's average was just \$13.76/cwt., down one-third from the mid-May peak. This year's Choice-Select spread peaked several weeks earlier than is typical. Normally the spread peaks in either late May or early June, instead of mid-May as happened this year. Given that the spread peaked early, what's in store for the rest of the spring and summer?

After peaking in late May or early June, the Choice-Select spread generally falls during the rest of June and July. On average, the spread tends to bottom out in either late July or early August. Odds favor the Choice-Select spread bottoming out in late July or early August this year, but there's a good chance the spread will not reach levels seen last summer when the spread bottomed out near \$5/cwt. Over the last five years the Choice-Select summer low averaged about 56% below the spring peak. If that's the case during 2004, it implies the weekly average Choice-Select summer low could wind up near \$9/cwt.

Longer term, the price spread should rebound into fall. Last year, the Choice-Select spread climbed into the mid-\$30's, in part because Canada's absence from the Pacific Rim export markets made the U.S. the residual supplier of high quality grain fed beef. This year, the spread is not expected to reach last fall's lofty levels unless the U.S. regains access to the Japanese market. Without access to the Japanese market, look for the Choice-Select spread this fall to top out in the low \$20's.

[Light Choice-Select Boxed Beef Price Spread Chart](#)

The Markets

Weekly average slaughter cattle prices held steady last week in Kansas, but rose modestly in Nebraska. Live weight steers in Kansas averaged \$89.64/cwt., just slightly higher than the prior week, whereas dressed weight steers in Nebraska averaged \$145.44/cwt., nearly \$2/cwt. higher than the prior week. Weekly average wholesale beef prices were stronger last week, although prices fell back at week's end. The light Choice-Select spread dropped again, averaging \$13.76 last week. Wheat harvest activity limited feeder cattle trade last week, especially in Kansas. In limited trade, prices for 700-800 lb. steers were higher than the previous week, averaging \$119.63/cwt. in Kansas and \$118.78/cwt. in Nebraska.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, wtd. average, live weight	\$89.64	\$89.38	\$77.05
Nebraska Fed Steer Price, wtd. average, dressed weight	\$145.44	\$143.62	\$123.22
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$119.63	\$116.97	\$86.40
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	NA	\$124.75	\$100.00
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$118.78	\$113.24	\$88.15
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$124.50	\$145.85	\$102.65
Choice Boxed Beef Price, 600-750 lb. carcass	\$155.38	\$150.49	\$144.95
Choice-Select Spread, 600-750 lb. carcass	\$13.76	\$15.79	\$15.25