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More Choice Quality Cattle On The Market

So far this fall the Choice-Select spread has failed to rebound as much as cattle feeders hoped. Last week's heavy Choice-Select spread averaged just \$3.35/cwt., down fractionally compared to the previous week and 89 percent lower than a year ago. This fall's weak Choice-Select spread is likely attributable to more than one factor, including the absence of demand from the Pacific Rim for high quality cuts. But it is also clear that a contributing factor has been the rise in the percentage of cattle grading Choice or higher (e.g., percentage of Choice cattle plus percentage of Prime cattle).

The percentage of cattle grading Choice has been climbing over the last several years. For example, the percentage of cattle grading Choice or higher averaged 50.6 percent during 2001. But during 2002 the percentage of Choice and Prime cattle in the slaughter mix rose to 51.8 percent. The shift toward more high quality cattle in the slaughter mix continued during 2003 as 52.4 percent of federally inspected cattle graded Choice or Prime. And during the first nine months of 2004 the percentage of cattle grading Choice or higher rose again, averaging 53.9 percent.

The difference between this year and last year is even more noticeable when September 2004 is compared to September 2003. During September of this year 53.4 percent of slaughter cattle graded Choice or higher, compared to just 49.5 percent last year. That difference goes a long way toward explaining why this fall's Choice-Select spread is so much narrower than last year.

In The Markets

Weighted average slaughter steer prices in Kansas and Nebraska changed little last week compared to the prior week, averaging \$84.51/cwt. (live weight) in Kansas and \$130.31/cwt. (dressed weight) in Nebraska. Heavy Choice boxed beef prices, in contrast, were about \$4/cwt. lower than the prior week. Feeder weight steers were steady last week in Kansas, but declined about \$5/cwt. in Nebraska. Calf volume in Kansas was too small for a market test, but steer calves in Nebraska traded about \$1/cwt. lower than the prior week. The heavy Choice-Select price spread continued to struggle, averaging \$3.35/cwt. last week, down fractionally compared to the prior week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$84.51	\$84.22	\$95.19
Nebraska Fed Steer Price, dressed weight	\$130.31	\$130.15	\$154.51
700-800 lb. Feeder Steer Price, Kansas 3 market average	\$116.34	\$116.69	\$108.16
500-600 lb. Feeder Steer Price, Kansas 3 market average	--	\$126.62	\$112.81
700-800 lb. Feeder Steer Price, Nebraska 7 market average	\$115.21	\$120.09	--
500-600 lb. Feeder Steer Price, Nebraska 7 market average	\$126.67	\$127.73	--
Choice Boxed Beef Price, 750-900 lb. carcass	\$130.69	\$134.40	\$164.95
Choice-Select Spread, 750-900 lb. carcass	\$3.35	\$3.47	\$29.98