In The Cattle Markets
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Retail Demand for Choice Beef Weakens Again

Continuing a trend that got underway in 2005, U.S. consumers' demand for Choice beef at retail declined again during the first quarter of 2006. Per capita beef consumption at retail reached 15.8 pounds (preliminary estimate) during the January-March quarter, which was a 1.4% increase compared to a year earlier. But the modest domestic supply increase was associated with a 5.75% decline in the inflation adjusted Choice retail beef price, compared to January-March 2005. The combination of a relatively sharp decline in inflation adjusted Choice beef prices at retail and a small domestic beef supply increase means that domestic consumer demand for beef declined again. Preliminary beef demand index calculations (using 1980 as a base) reveal that the index value for the first quarter of 2006 was 55.76, down 4.5% compared to the year ago index value of 58.39. Primarily because of strong demand gains that occurred during 2003 and 2004, beef demand this winter was still 4.6% higher than during the first quarter of 2003 and 16.5% higher than during the first quarter of 1998, when the beef demand rebound was just getting underway. Still, the recent ongoing slide in domestic beef demand is troubling.

Looking ahead, data from this winter confirm that turning around the recent decline in domestic beef demand will not be easy. The beef industry benefited from consumer interest in low-carbohydrate diets from the late 1990's through 2004. But now that consumer interest in those diets has waned, the industry will have to focus its attention on product attributes such as quality, convenience, and nutrition. And it will have to do so in a time frame when domestic beef production is increasing cyclically and competing meat supplies are large. This will not be easy.

Click on the link below to view meat demand charts.

http://www.agmanager.info/livestock/marketing/graphs

In The Markets

Last week was another down week for slaughter cattle prices. Slaughter cattle prices declined $2/cwt. (live weight) in Kansas whereas dressed weight prices in Nebraska declined $0.64/cwt. Slaughter cattle prices have not been this low since late August 2005. So far this year Kansas slaughter cattle prices have averaged $88.69/cwt., which is still 4.2% higher than the year ago average of $85.11/cwt. Similarly, dressed weight slaughter cattle prices in Nebraska have averaged $140.62/cwt. so far in 2006, 3.4% higher than the year ago average of $136.04/cwt. Feeder cattle prices in Kansas last week were steady to slightly stronger, whereas prices in Nebraska weakened somewhat. A 750 pound steer placed on feed at last week's Kansas average price of $106.64/cwt. would likely require a sale price near $86/cwt. in mid-September to breakeven. In contrast, the 4/24/06 settlement price for October live cattle futures implies a Kansas cash slaughter cattle price of about $79/cwt. in mid-September. Feeder cattle buyers continue to be very optimistic compared to live cattle futures market traders.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	$82.04	$84.05	$93.98
Nebraska Fed Steer Price, dressed weight	$132.52	$133.15	$149.90
700-800 lb. Feeder Steer Price, KS 3 market average	$106.64	$105.73	$115.94
500-600 lb. Feeder Steer Price, KS 3 market average	$133.16	$133.38	$136.12
700-800 lb. Feeder Steer Price, NE 7 market average	$109.25	$110.57	$117.31
500-600 lb. Feeder Steer Price, NE 7 market average	$130.34	$134.79	$143.51
Choice Boxed Beef Price, 600-900 lb. carcass	$142.28	$140.01	$157.84
Choice-Select Spread, 600-900 lb. carcass	$14.11	$11.92	$16.35