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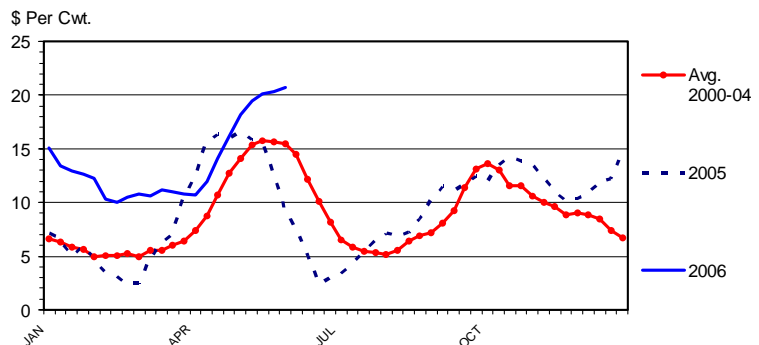
Choice-Select Spread Seasonally Reaching Peak

The difference between choice and select boxed beef cutout values has a strong seasonal trend, as shown by the red line in the graph. The choice-select spread typically peaks at the end of May as the supply of choice grading cattle is seasonally lower and demand for higher quality cuts of beef increases for the summer grilling season. As supply of choice grading cattle increases and demand decreases during the mid- to later summer months, the choice-select spread narrows by about \$10/cwt or 67% based on the 2000-04 average. In 2005, an even more rapid decrease in the spread was observed, and it occurred about four weeks earlier than the longer-term average.

The choice-select spread was \$20.70/cwt last week, \$4.93 higher than the 2000-04 historical average. As of mid-week, the spread had widened another \$2/cwt, making it the widest spread of the seasonal peak. If the spread is close to peaking and a decrease similar to the historical average occurs, the choice-select spread would decline about \$15/cwt to \$7-8/cwt. Seasonally, cattle weights are increasing and slaughter cattle numbers should begin to increase given aggressive placements earlier this year. Both of these factors support the idea that the spread should begin to decline. However, higher corn prices this year may limit the length of time cattle are on feed and thus grade choice. Not only might this restrict choice cattle in the future, but the supply of choice grading cattle has been limited all summer, a trend that may continue.

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly



The Markets

Last week, fed cattle prices were about \$2/cwt higher than the previous week. Live weight prices in Kansas averaged \$83.04/cwt and Nebraska dressed prices averaged \$128.52/cwt. Choice boxed beef prices jumped \$4.58/cwt to press the weekly average over \$150. The choice-select spread widened slightly to \$20.70. Yearling steer prices averaged \$1.50/cwt higher in Kansas last week and were up nearly \$5/cwt in Nebraska. Limited sales of 500-600 lb steers occurred last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$83.04	\$81.10	\$85.78
Neb. Fed Steer Price, dressed weight	\$128.52	\$126.13	\$134.72
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$110.02	\$108.45	\$113.92
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$125.00	\$124.99	\$132.27
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$114.50	\$109.54	--
500-600 lb. Feeder Steer Price, Neb. 7 market average	--	\$120.91	--
Choice Boxed Beef Price, 600-900 lb. carcass	\$150.99	\$146.41	\$146.13
Choice-Select Spread, 600-900 lb. carcass	\$20.70	\$20.34	\$9.00