

Market Advisor

Domestic demand stalled, export demand shows promise

Unfortunately, there is no sign of a turnaround in domestic beef demand. The average price of choice beef at retail during December was \$4.285 per pound (lb.). That was 0.7¢ lower

than in November and 9¢ lower than in December of 2008. For all of 2009, Choice beef at retail averaged \$4.26 per lb., 6.5¢ lower than in 2008. Despite costing less than in 2008, U.S. per capita

beef consumption last year was only 61.4 lb., down 1.3 lb. compared to 2008. When both price and consumption are down, there is no doubt as to which way demand is headed.

Cattlemen and beef processors saw less money in 2009, while the margins for distribution/retailing expanded. The five-area live price for fed steers averaged \$83.50 per hundredweight (cwt.) in 2009, down \$9.51 from the year before. The farm to wholesale margin was 1.5¢ lower last year than in 2008. The wholesale to retail margin grew by 11¢ compared to 2008.

The one bit of good news for beef demand is that export demand may be headed up. Wholesale beef prices were 11% lower in November 2009 than a year earlier. November beef exports were up 27% compared to 12 months earlier, which is much more of an increase than one would expect from an 11% decline in price. But, one month does not make a trend.

Choice boxed beef cutout values moved lower the week of Jan. 18-22. On Jan. 22, the Choice carcass cutout value was \$1.4355 per lb., down 1.69¢ for the week and 4.64¢ lower than a year ago. The Select cutout was down 1.34¢ from the previous Friday to \$1.395 per lb.

Fed-cattle prices were little changed this week. The 5-area daily weighted average price for harvest steers sold through Thursday on a live weight basis was \$84.30 per cwt., down 67¢ from a week earlier but \$2.39 higher than a year ago. Steers sold on a dressed basis averaged \$138.41 per cwt., \$1.50 higher than the week before and \$6.60 higher than the same week of 2009.

The February live cattle futures contract ended the week at \$86.62 per cwt., down 73¢ for the week. April settled at \$90.55, up 3¢ from the week before. June settled at \$88.30 per cwt. and the August live cattle contract ended the week at \$87.80.

Federally inspected cattle harvest for this week is 665,000 head, up 3.6% compared to a year ago. Steer carcass weights have been below year-earlier levels for 10 of the last 11 weeks.

Feeder-cattle futures moved higher the week of Jan. 18-22. The January contract ended the week at \$97.10 per cwt., down 87¢ from last Friday. March settled at \$99.60 per cwt.

