



## **Industry News - AM** **Choice beef prices continue to climb relative to Select**

**By Rita Jane Gabbett on 11/21/2011**

Wholesale Choice beef cutout values have climbed into higher territory, exacerbating the widening spread between Choice and Select beef, which is due as well to a decline in the price of Select beef, according to USDA.

In its Livestock, Dairy, Poultry Outlook report, USDA noted that after peaking at a weekly average of \$187.25 per hundredweight during the last week of August 2011, Choice cutout values declined to \$180.25 during the second week in September before reaching \$189.92 during the second week of November.

At the same time, Select beef declined from a peak of \$181.75 during the third week of August 2011 before declining to a low of \$168.70, but then reached \$171.43 during the second week of November.

This strength in Choice beef has been attributed to both smaller numbers of Choice grade cattle and continued large cow and bull slaughter and to Wal-Mart's decision to sell Choice beef in their stores, USDA said. (See "[Wal-Mart, packers adjust to new demand for Choice beef](#)" on Meatingplace on Nov. 9, 2011)

The proportionally large cow/bull slaughter is providing ample supplies of processing/lean beef, which is blended with 50-percent lean trim and, thus, has increased the demand for 50-percent lean trim from Choice cattle, the report said.

The tightness in Choice beef supplies is due in part to the motivation to reduce feeding periods because of high costs of feed and feeder cattle, which results in fewer cattle grading Choice. In the face of tight Choice beef supplies, increased demand for Choice product from the retail sector has manifest itself in higher Choice beef prices relative to Select, the report concluded.

Reduced numbers of Choice fed cattle going to market have also resulted in reduced supplies of 50-percent lean trim. Combined with the continued high rate of cow and bull slaughter, these prices for 50-percent trim, from which ground meat products are produced, have also risen. Currently, prices for 50-percent lean trim are at record levels, having reached \$1.26 per pound on Nov. 9, 2011.

Packer margins are reported to be continuing negative and may lead to reductions in cattle slaughter in order to pressure prices for live cattle lower.

Choice retail beef prices set another record in September at \$4.91 per pound, while the retail price for all-fresh beef declined 4 cents per pound from the high of \$4.48 set in August.

After a potential dip this winter, retail beef prices are expected to increase

year-over-year into 2012.