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Wholesale beef prices smashing records; more may be on the way

By [Rita Jane Gabbett](#) on 5/20/2013

Last week wholesale beef prices hit \$208.18 per hundredweight, the fourth record level in two weeks as pent-up demand from a delayed grilling season met concerns about future beef supplies. Analysts contacted by **Meatingplace** expect more records ahead.

"I have felt for some time that when we broke through the \$200-per-hundredweight barrier for Choice boxed beef that we might see a fairly quick run up to the \$210 to \$212 range," said Oklahoma State University Livestock Marketing Specialist Derrell Peel. "That said, this is a late run and we may be close to a top for the first half of the year."

Livestock economist John Nalivka, principal of Sterling Marketing, cautioned, however, that future prices also depend on what consumers decide to put on their grills this summer.

"With the summer grilling season still ahead, seasonal demand would suggest that higher beef prices lie ahead. However, the beef industry may be pushing a string with consumer demand when looking for a typical seasonal boost in prices from current levels. Consumers are still price

conscious and there is still good pork and poultry values for grilling ... Demand will determine where prices go from this early seasonal price jump," said Nalivka.

Ron Plain, Professor of Agricultural Economics at the University of Missouri, said he expects the beef cutout to hold above \$200 until later this month then drop back below \$200 in June, with Choice cutout going back above \$200 in late September.

Jim Robb, director of the Livestock Marketing Information Center, Robb said depending on how much beef consumers grill over Memorial Day weekend, there could be one more temporary uptick in Choice boxed beef prices the following week, before prices fall back over the summer.

Robb predicted wholesale beef prices may actually peak for the year in the fourth quarter, "if the economy growth is anywhere above anemic." Peel agreed, saying \$215 per hundredweight for Choice boxed beef in the fourth quarter would be feasible.

Longer term

While rebuilding the cattle herd will take years, even starting that process might be delayed as continued drought in the western United States and fears over a delayed corn-planting season have ranchers concerned about expansion, according to the analysts.

Plain expressed concern about late corn planting and its impact on cattlemen's restocking decisions, saying, "The economics says cattlemen should be expanding the cow herd [but] the feed supply says not yet."

In the rain-soaked Midwest, farmers had planted just 28 percent on the U.S. corn crop by May 12, well behind the five-year average of 67 percent by this time on average over the past five years.

In the West, however, lingering drought in key cattle states is leaving pasture conditions in poor or even very poor condition, causing concern even before the start of seasonally hot summer weather.

In the [*Daily Livestock Report*](#), published by Steve Meyer and Len Steiner Inc., analysts cautioned these dry conditions could force more cows and heifers to slaughter as hay supplies deplete, reducing the productive capacity of the U.S. beef industry because, "you still can't get a calf without a cow."

Robb agreed, noting beef prices today are the result of last year's drought and if those conditions persist in the West, it could be "approaching the end of the decade" before meaningful herd rebuilding occurs.