Demand pressures building in beef market

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Meat prices are higher in the latest retail prices released for the month of June. The All Fresh retail beef price was $6.114/lb., up $0.059 cents from May and up $0.606/lb. from one year ago. The June retail pork price was $3.703/lb., up $0.007/lb. from last month but $0.413/lb. lower than June of 2014. The retail broiler composite price was $1.987/lb., $0.055/lb. higher than May and up $0.038/lb. year over year.

Pork and broiler retail prices increased in June despite continued increases in supplies for both meats. High beef prices may be providing more evident support for the other meats. However, retail beef prices remain record high relative to pork and broiler prices. In June, retail beef prices were 3.1 times retail broiler prices, continuing a ratio above 3.0 that first occurred in December 2014.

Both retail beef and broiler prices climbed about 6 cents per lb. from May to June. Wholesale poultry breast meat and leg prices have continued to decline through June and into July, while wing prices have be mostly steady since May. Weak broiler exports, down 8.6 percent for the year to date, due to the strong dollar, avian influenza and the Russian poultry ban, are contributing to soft broiler wholesale values.

Retail beef prices were a record 1.65 times higher than retail pork prices in June, with retail beef prices up about 6 cents/lb. and retail pork price up less than a penny from May. Lower pork prices, in the face of sharply increased pork supplies, appear to be stabilizing with pork demand responding to lower pork prices.

Wholesale pork loin prices recovered some from mid-June lows into July while ham values eroded through June and into to July. Wholesale pork belly prices have increased steadily for several weeks, climbing over 90 percent from late February lows. Wholesale pork spare rib prices have been above year ago levels since late April, likely driven by strong export demand. Overall pork exports are down, particularly to China, but remain strong to South Korea, where spare ribs are a popular item.

Demand pressures are building, at least seasonally, in the beef market. Though June retail All Fresh prices were higher, Choice retail beef prices were $640.6/ lb., down slightly from $6.412/lb. in May but still $0.489/lb. higher compared to June, 2014. The wholesale Choice-Select spread has narrowed from a peak in May through June and into July.

The spread is following a pattern similar to last year and is more or less seasonal but somewhat exaggerated with Choice values falling sharply relative to Select values. This partly reflects supply conditions with relatively abundant Choice beef supplies due to high Choice grading percentages and also likely reflects relatively stronger Select demand compared to the more expensive Choice beef.

Beef demand is caught in the summer doldrums with lots of high temperatures curtailing grilling and abundant pork and poultry supplies catching most of the retail featuring attention.

Wholesale ribeye prices have dropped below last year after tracking well above year ago levels for much of the year. Other middle meats, e.g. loin strips, have dropped sharply off seasonal peaks in May and have fallen below year ago levels. Wholesale values for chucks and rounds are generally holding above year ago levels. Wholesale values for lean processing beef are holding steady but the price of 50 percent trim has eroded sharply since April reflecting both weaker ground beef demand and abundant trim supplies due to heavy carcass weights and increased fat trim on steer and heifer carcasses.

The ability of beef to continue holding record price levels relative to pork and poultry will depend, not only on prices of those competing meats, but also continued growth in the U.S. economy, consumer income impacts of things like gasoline prices and the strength of foreign demand for U.S. beef.