

The rally in cattle prices this spring has been one of the biggest on record, fed by improving export buying and domestic consumer appetites. Wholesale values for choice beef have led the way, topping out (so far) at \$2.4988 per pound on May 16. In the latest week (see graph at right), the weekly average reached the highest value since July 3, 2015.

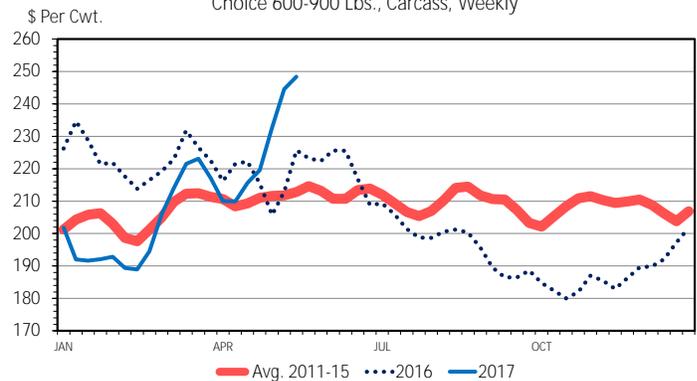
The cattle market has been cautious to acknowledge how much longer the favorable demand trends can persist. Consumer demand for beef seasonally peaks in the last half of May for the Mother's Day and Memorial Day events. This has kept Live Cattle futures for June delivery on the defensive this spring. The price spread between weekly negotiated cattle prices in primary cattle feeding regions and the June futures contract have diverged by the largest amount in at least 5 years. In mid-May, the June futures contract was \$12 per cwt. below the spot market value reported by USDA-AMS (Agriculture Marketing Service) in Western Kansas. The average difference between cash cattle prices in this region and the June Live Cattle futures in mid May is \$6.43. The \$5.47 difference is twice the average deviation between the futures and cash markets (i.e. the basis). The "basis" in the Western Kansas market was at its widest point in the last week of April at just under \$18 per cwt.

The much anticipated weakness in wholesale beef values is surfacing this week, but not in dramatic fashion. As of yesterday (Thursday, May 25) USDA-AMS reported that the Choice beef cutout value was \$2.4611 per pound, down from \$2.4714 last Friday. Over the course of the same week of the year dating back to 2010, the value of the Choice Beef Cutout declines by a penny per pound, on average, so this week's price action is fairly normal.

Tendencies for Choice Beef Cutout trends in the first week in June pick up downward momentum. During the last seven years, values declined six times. The average weekly change in value for the first week of June has been 3 cents, compared to the one cent decline for this week. The biggest decline was nine cents back in 2015. That was the year that beef prices were the highest ever, with the Choice Beef Cutout averaging \$2.63 in the week prior to Memorial Day. By mid-June of 2015, the Choice Beef Cutout was at \$2.49 and finished June at the same value. It would seem that the June Live Cattle futures contract is set for a similar, or bigger decline in wholesale beef values this year, based on the big discount to spot market cattle prices. The \$7 per cwt. decline in Choice cattle last week has been followed by limited interest in

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly

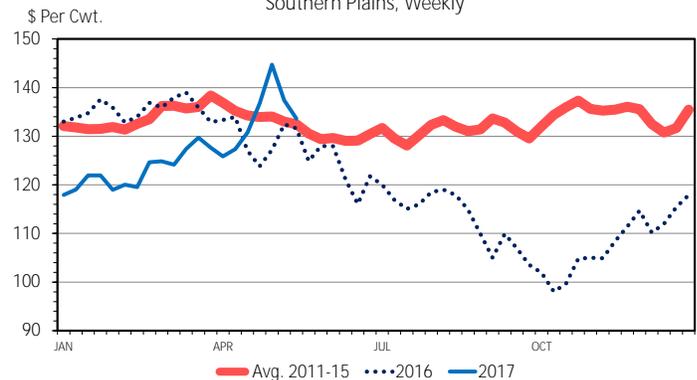


Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-62
05/22/17

SLAUGHTER STEER PRICES

Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-52
05/22/17

cattle trading in the spot market through the first three days of this week. Negotiated cattle trade on Thursday was at prices down another \$3 per cwt. from a week ago. A repeat of last Friday's trade volumes would result in week-over-week and year-over-year head count increases. This afternoon's USDA Cattle on Feed report will probably have a bearing on trading volumes.



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