

Last week, as calculated by USDA’s Agricultural Marketing Service Market News Division (AMS), the steer byproduct (non-meat items like hide, liver, etc.) value was \$7.82 per cwt. on a live animal basis. That value had increased for five weeks. Still, this past week it was –\$1.35 per cwt. compared to a year ago and down \$4.26 from the prior five-year (2014-18) average.

The AMS live steer byproduct value has been generally been eroding relative to the live steer price (i.e., the 5-area weighted price reported by AMS). Last week, the byproduct value was 7.4% of the live steer price, and a year ago it was 8.7%. Looking at that weekly percentage back to January 2005, the lowest was 6.0% in late May of this year, during the peak of COVID-19 market disruptions.

On an annual basis, that percentage has eroded each year since 2016, when it was 9.4%. The highest since 2005 was 11.5% in 2011. Those declines has been driven by lower hide prices. Since 2011, the live steer price has become more closely tied to the value of meat and not to the byproduct.

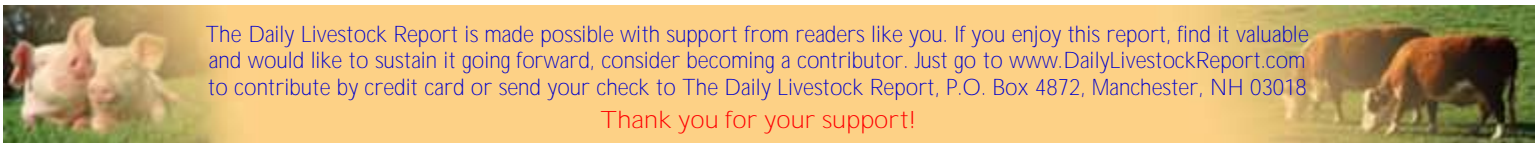
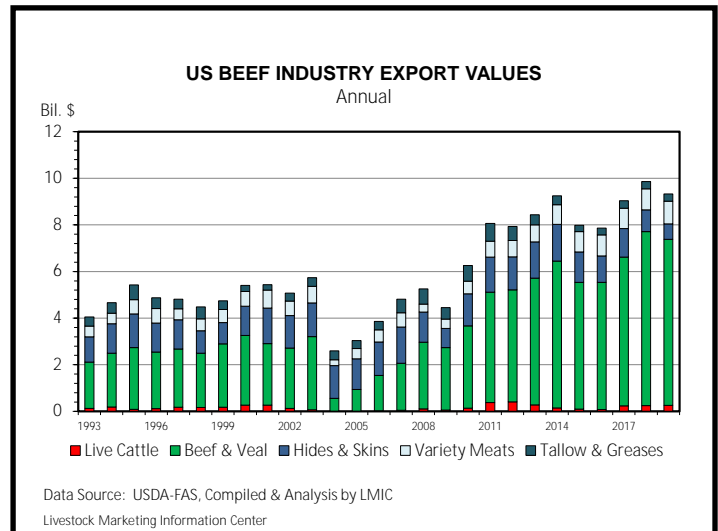
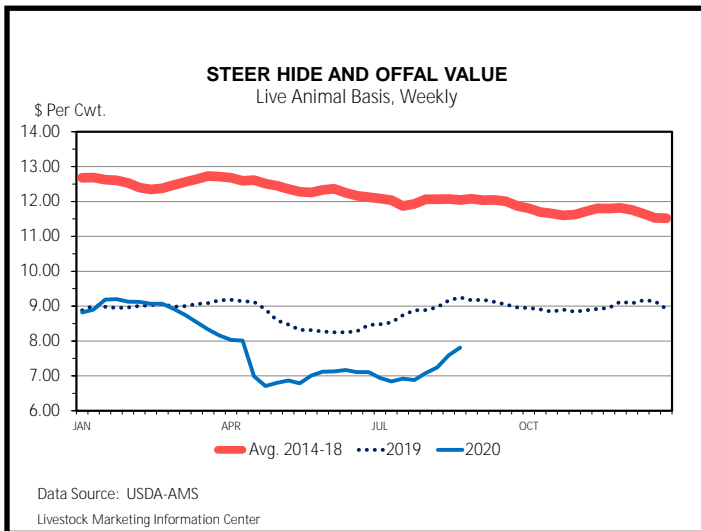
AMS reports prices of several types of hides (Heavy Native Steer, Dairy Cow, etc.). The Branded Steer price last week was \$26.67 per hide. That was up from a low in mid-April of this year of \$17.00. In late August last year, the price was about \$36.50, and at the end of August 2015, that type of hide was \$74.00. Weekly prices topped-out in 2014 at \$115.00.

The majority of byproduct items are dependent on foreign markets. Most U.S. hides are processed into leather in foreign

countries. Many internal organs, like the liver, have more robust demand by foreign consumers than they do by people in the U.S. Often, the U.S. incorporates those items in pet foods. Bio-fuel and many other items are manufactured using beef byproducts.

Three major categories of U.S. beef byproduct exports are hides and skins, variety meats (e.g., edible internal organs like liver), and tallow and greases. In 2019, those three categories together totaled nearly \$2 billion compared to \$7.1 billion for beef and veal. From 1976 through 2018, the largest component of exported byproducts was hides and skins. That changed in 2019 when the dollar value of exports slipped below variety meats.

In a recent article (August 31 issue) in the Cattle Buyers Weekly (CBW) newsletter, there were some timely insights regarding hides. Publisher and Editor of that newsletter, Steve Kay, gave us permission to cite his article (CBW link is [here](#)). “Nearly 16% of all U.S. cattle hides produced in 2019 went into landfills because there was no market for them. Global demand for hides and leather began to improve marginally at the start of this year. But the onset of the COVID-19 pandemic heavily impacted demand as tanneries from China to Italy closed down. This forced hide prices to go lower again and meant an even larger percentage of hides have gone into landfills than before the pandemic began. But tanneries, especially in China, appear to be operating more normally now and hide traders are cautiously optimistic that hide prices and global demand will start to improve again.” Still, from a long-term perspective, any further price increases will be starting from very low levels.



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