

Fed cattle cash trade last week mostly marked-time until late in the day on Friday. On a live basis, the Friday afternoon cash market was active and higher. As reported by USDA's Agricultural Marketing Service Market News Division (AMS), last week the 5-market price averaged \$116.98 per cwt., compared to \$110.87 the prior week. Of the five individual AMS reported markets, Colorado posted the highest weekly average steer price (\$118.36 per cwt.). Fed cattle prices last week were the highest since early August and year-over-year the 5-market average was up \$12.83 per cwt. Fed animal prices were supported by a strengthening wholesale beef market (cutout value) and narrowing of packer gross margins, as they could not ignore the cash market to achieve their needed slaughterer levels.

At \$198.80 per cwt., last week's comprehensive beef cutout value was up \$2.72 week-over-week and the highest since mid-August. For October, the beef cutout value was \$2.38 per cwt. above September's and \$13.97 (7.7%) over a year ago.

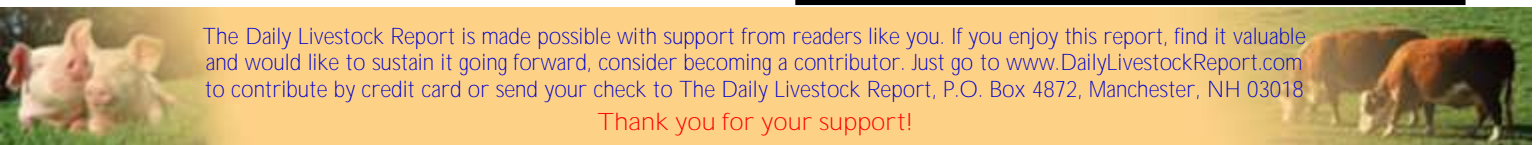
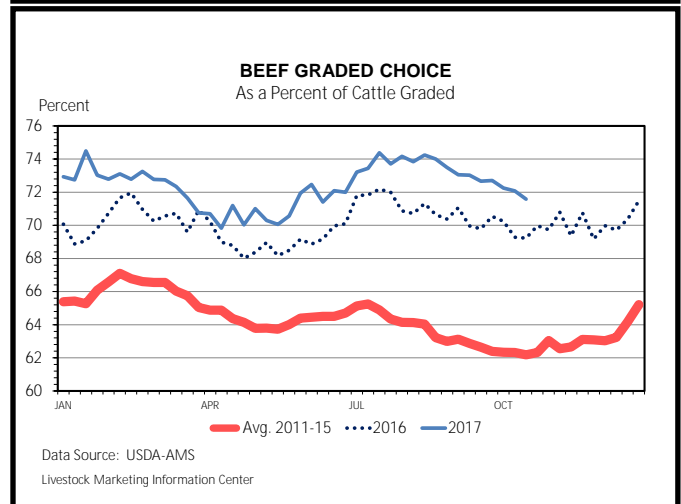
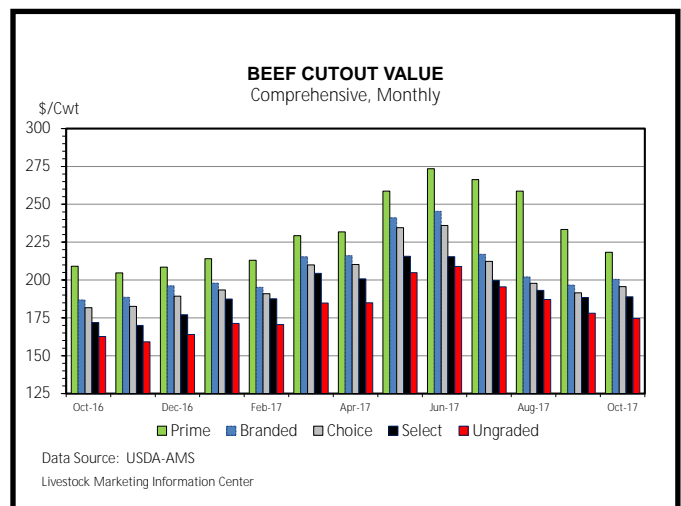
A topic of news and discussion last week were USDA Quality Grade Standards for both pork and beef. Standardized grades facilitate market transactions between buyers and sellers. Price differentiation between grades provides market signals to primary producers regarding consumer desires. Many research projects and consumer surveys show that quality characteristics (e.g., taste, tenderness) of meat products are important.

The Quality Grade value differences are apparent for the long-established U.S. beef (see the first graphic), those grade-related categories are Prime, Branded, Choice, and Select. The increasing proportion of Choice beef produced, largely due to price incentives, is shown in the second graphic. Most steer and heifer carcass receive a USDA Quality Grade, even though the system is for-fee and voluntary.

Last Monday (October 23rd), AMS proposed revisions and requested comments on pork grading standards. Per the full notice in the Federal Register (see [here](#)), "In contrast to decades past, modern consumers have shifted away from prioritizing leanness as the primary attribute in selecting pork for purchase. Instead, today's consumers seek high quality marbling (fat streaking within the cut of meat) for superior taste. In addition, consumers are increasingly demanding consistency in pork products in terms of other quality attributes, in particular in color of the lean." AMS has proposed pork quality grade nomenclature like that of beef, that is, grades of Prime, Choice, and Select. If implemented, those standards will be based on lean meat color and marbling.

Turning to the U.S. beef news, late last week quality grade rumors and questions began to reverberate to the extent that some packers espoused a "sky is falling" perspective to buyers. The AMS Quality

Assessment Division, which is in charge of animal grading, Thursday night required a recalibration of the software used with rather newly purchased and installed objective measurement camera systems. Only nine packing plants had the new systems and no other U.S. plants were impacted. AMS experts and their in-plant inspectors have strict protocols to monitor and evaluate all aspects of grading. Those evaluations showed that carcasses in just those nine plants were receiving higher Quality Grades than they should have. Hence, the required overnight software adjustments. Our assessment is that for the plants involved there was some uncertainty on Friday, but any broad market impacts were minimized.



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