

Daily Livestock Report

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USDA's monthly retail price data, released on Tuesday, indicates a mixed bag for retail meat and poultry prices in March. The data, which appear in the table at right, show higher retail beef prices and lower retail pork and poultry prices versus both February and one year ago. Note that the prices are presented here just as they are published — in cents per pound. Just divide by 100 to get the more-familiar dollars per pound figure.

Choice beef prices showed the largest gains for the month—and the se prices pre-date the huge rally in beef cutout values that began in March. In fact, the Choice beef cutout went from \$149 to \$161 and the Select cutout went from \$149 to \$160 during March, suggesting that more retail price increases are on their way.

But the question is “When will those wholesale prices be reflected in the retail data?” The wholesale-retail spread (ie. the retailers’s share) is the “shock-absorber” of meat and poultry pricing mechanisms. Retailers’ try to hold retail prices somewhat steady (driven to no small degree by a desire to avoid confrontations with customers over higher prices!) and book future meat/poultry needs in advance. Both of those practices smooth retail prices and squeeze the published wholesale-retail spread during times of rising wholesale prices.

The middle chart at right shows the history of these USDA retail price series. We have added the dashed line to indicate September 2006 when corn and soybean prices began to react to growing ethanol production and the link it provided to higher energy prices. The most obvious increases in retail prices since that time have been for beef and turkey but all price series are at or near their all-time record highs. The recent increases in wholesale prices for all species suggest that new records for these retail prices are very, very likely over the next 12-20 months.

Expect to hear more about these data and USDA’s monthly price spread estimates. Farm-to-retail price spreads (or, alternatively, “marketing margins”) will be the subject of the last of the USDA/DOJ competition workshops in December. These spreads are computed monthly by USDA as part of their duties under Agricultural Marketing Act of 1946, an effort originally intended to measure the “efficiency” of marketing systems.

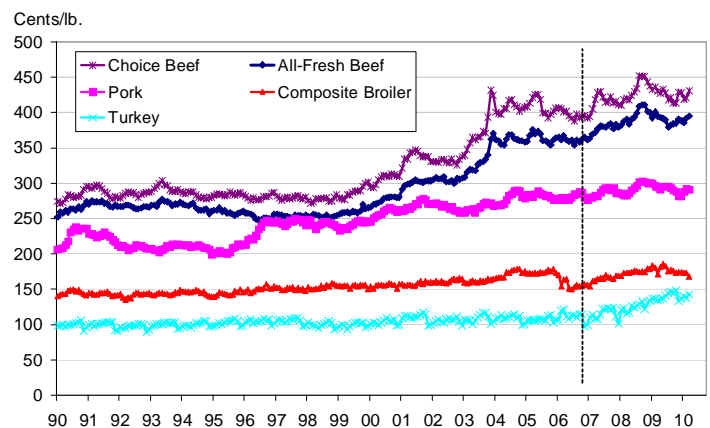
The bottom chart show USDA’s computed prices for hogs and pork at the various levels of the marketing system with the differences comprising the amount accruing to firms at each level. Note that retail prices are much less volatile than prices at the other levels and that the farm share of the retail price is falling. The latter is cited by some critics as proof of inefficient market structure and unfair marketing practices. But research at Montana State has shown that the farm share of the retail dollar is a poor measure of farmers’ well-being. Interested readers can find a very good paper by Drs. Gary Brester, John Marsh and Joseph Atwood at <http://ageconsearch.umn.edu/bitstream/54543/2/JARE,Aug09,%2301R,pp213-236.pdf>.

MONTHLY RETAIL MEAT PRICES

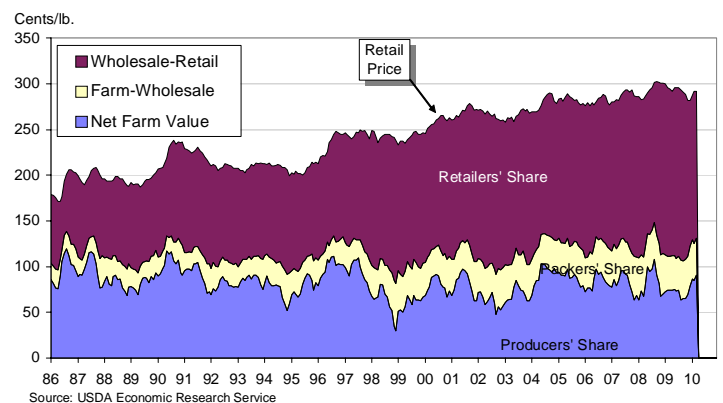
| | Prices, Cents/Lb @ Retail | | | Current as pct. of: | |
|-------------------|---------------------------|--------|--------|---------------------|--------|
| | Mar-09 | Feb-10 | Mar-10 | Mar-09 | Feb-10 |
| Choice Beef | 430.0 | 420.4 | 430.8 | 0.2% | 2.5% |
| All Fresh Beef | 394.7 | 392.2 | 395.2 | 0.1% | 0.8% |
| Pork | 294.2 | 291.7 | 291.4 | -1.0% | -0.1% |
| Whole Broiler | 130.1 | 126.5 | 123.1 | -5.4% | -2.7% |
| Composite Broiler | 171.6 | 173.0 | 167.8 | -2.2% | -3.0% |
| Turkey | 134.7 | 137.5 | 142.5 | 5.8% | 3.6% |

Source: USDA Economic Research Service

RETAIL MEAT PRICES



PORK VALUES AT SUCCESSIVE MARKET LEVELS



Source: USDA Economic Research Service

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