

Daily Livestock Report

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There will be no Daily Livestock Report on Monday, July 5 as the CME and many other U.S. businesses are closed in observance of Independence Day. Look for Daily Livestock Report again on Tuesday morning.

All of us at CME Group and DLR wish all of you a happy and enjoyable Independence Day! For our foreign readers, July 4, 2010, marks the 234th anniversary of the first public presentation of the American colonists' Declaration of Independence from British rule. Two familiar lines from that document are:

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness..

"And for the support of this Declaration, with a firm reliance on the Protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

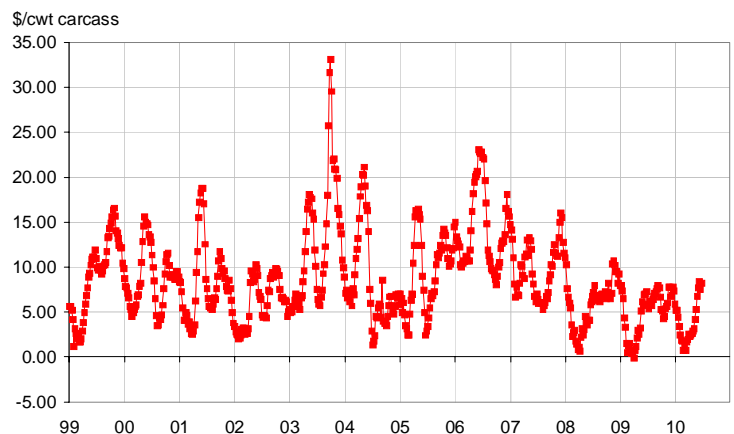
Now there is a lot more to the Declaration of Independence than these two familiar lines. It was a long list of grievances against the British Crown that were so serious that the 56 signers were willing to subject themselves and their fellow colonists to the dangers inherent to confronting the strongest military and economic power in the world at that time. We Americans are, in many ways, still trying to live up to the ideals they set forth. Following their example of reliance on "the Creator" and "Divine Providence" and placing "sacred Honor" among man's highest callings all strike me as a good places to start in fulfilling those ideals.. At the very least, some solemn contemplation of this great document is warranted as we enjoy a great summer weekend. You can find the Declaration at <http://www.ushistory.org/declaration/document/>. Please take a few minutes to read it. You will be glad you did! Then enjoy a good steak! Steve Meyer

One of the most interesting changes in the U.S. beef complex — or entire U.S. meat complex, for that matter — over the past 4+ years has been the relationship between Choice and Select grade beef prices. As background, Choice and Select are the two quality grades that capture the largest numbers of beef carcasses. USDA's quality grading system tries to characterize the eating value of beef using age, marbling and, to a lesser degree, lean color and texture. Prime is the top grade. Choice is next and Select is next. Most consumers would rate flavor, juiciness and tenderness in that same order though some favor the less marbled cuts which are also lower in fat content.

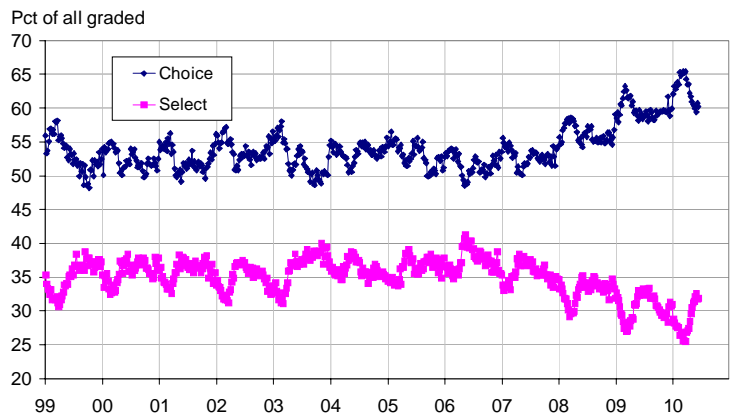
The top chart shows the weekly average spread between the cutout values of carcasses in these two grades. As you can see, the spread is quite seasonal but has fallen significantly since 2006. While shifts in consumer tastes and preferences toward leaner beef have contributed to this change, we think the better explanation is simply the supply of the two types of carcasses. (Sorry, we are economists and the old adage about the whole world looking like a nail if one is a hammer applies to us, we fear!)

But we do have data to back up our position. The bottom chart shows that more and more carcasses are grading Choice while fewer and fewer are grading Select. The changes in quantities are driving the prices together. Higher Choice percentages have been caused by new knowledge of the factors causing higher marbling, nutrition changes and, to no small degree, some changes in the grading system itself — including new automated systems.

600-900# CHOICE - SELECT SPREAD



CATTLE GRADING PERCENTAGES, WEEKLY



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