

*What is it?*

This report reflects the total estimated value of hide and offal from a typical 1375 lbs. slaughter steer based on the current domestic market for the major offal items and for butt branded steer hides. The value reflects dollars per hundredweight live. These items and their respective yields and values are only for items collected on the kill floor and do not include fabrication byproduct items. By-Products from the fabrication are included in the box-beef cutout.

Prices from the current market for each item are pulled from the weighted averages on part 1 (NW\_LS440) and part 2 (NW\_LS442) are entered each day and the change, if any, from the previous day is shown. The tallows automatically subtract \$2.75 freight from CAF Chicago to bring it back to Central. These prices are then multiplied by their respective yields (expressed in pounds) to a 1375 lbs. live steer. The resultant values are adjusted to reflect a per hundredweight basis and are then summed into the final drop value.

The weight for the butt branded steer hide reflects a cured and fleshed basis and a per piece price. Meat and bone meal and blood meal are converted from a per ton basis to a per hundredweight basis in the calculations.

The By-Product Drop Value (Steer) was started in the early 80's. The Butt Branded Steer Hide price was chosen because it represents a middle value hide. We realize that Butt Brands are not the most plentiful selection produced. On our Tallow, Protein and Hide Report we use some processor and smaller packer hides in the report, but in the Steer Drop and Cattle Drop we only use Major Packer hides. Heavy Texas Steer hides have a better record of reported trades week after week than Butt Branded Steer hides. By using Heavy Texas Steers hides we would have a better handle on the market week to week than we do on Butt Branded Steer hides. However, for the most part they run about a dollar per piece higher than Butts, putting them at the higher end of the entire list of steer hide selections reported.

In the USDA By-Products Drop Value (Steer) report below the hide and offal value is \$13.76 /cwt live. If a packer slaughtered a typical slaughter steer (1375 lbs.) on April 28, 2015 and sold only its by-product, they might receive approximately \$189.20 (\$13.76 times 13.75). For every 100 lbs. of that live steer there will be approximately \$13.76 value in its byproducts.

## USDA BY-PRODUCT DROP VALUE (STEER) FOB CENTRAL U.S.

The hide and offal value from a typical slaughter steer(1) for today was estimated at 13.76 per cwt live, down -0.01 when compared to Monday's value.

FOB CENTRAL U.S.

## TODAY'S CALCULATIONS FOR BY-PRODUCT VALUE (STEER)

	Lbs	Price	Change Prv/Dy	Value
Steer hide, butt brand/Pc	4.80	95.75	-	6.96
Tallow, edible (2)	1.20	25.25	-	0.30
Tallow, packer bleachable	4.50	25.25	-	1.14
Tongues, Swiss #1 0-3%, exp	0.24	375.00	-	0.90
Cheek meat, trmd	0.32	195.00	-3.00	0.62
Head meat	0.13	110.00	-	0.14
Oxtail, selected	0.24	235.00	-	0.56
Hearts, reg, bone out	0.38	80.00	0.50	0.30
Lips, unscalded	0.13	235.00	-	0.31
Livers, slcted, export	0.96	60.00	-	0.58
Tripe, scalded edible	0.65	110.00	-	0.72
Tripe, honeycomb bleached	0.15	150.00	-	0.23
Lungs, inedible	0.47	6.00	-	0.03
Melts	0.14	6.50	-	0.01
Meat & bone ml 50% blk/ton	3.70	374.50	-	0.69
Blood meal 85% blk/ton pnh	0.60	885.00	-	0.27
Totals:	<b>18.61</b>			13.76
<b>Dressed equivalent basis</b> (63% dress):				21.84

(1) Typical slaughter steer weighs 1,375 pounds

What does the **18.61 lbs.** represent? This is the total pounds of by-products in each 100 pounds of live steer. 18.61 lbs. times 13.75 (1375 lb. typical slaughter steer) equals 255.89 lbs. which is the total weight of these byproducts in that steer. There are some other by-products that a packer may or may not keep, such as niche markets for flexor tendon, pharmaceuticals, pet treat ears or feet, omasum tripe, sweetbreads, kidneys, tripas, weasand meat and probably some other items. The tallow, blood meal and meat and bone meal are rendered products so the water is cooked off of the raw material. Also the paunch material is usually collected and spread on agriculture lands for fertilizer.

What does the **dressed equivalent basis** tell us, in terms of its exact definition? If you figured the drop per hundred pounds of dressed carcass this is the number you would get. So a 1375 pound live steer at 63% dressing percent would yield a carcass of 866.25 pounds. We know that the total value of each 100 pounds of live steer/ heifer is \$13.76. If we divide \$13.76 by 63% (dressing percent) we get \$21.84 for a dressed equivalent. \$21.84 times 8.6625 (866.25 lb. carcass) equals \$189.19 total byproduct value. Some packers want to see the drop figured off of the dressed carcass and not the live animal. The total value is the same.

The yields of the drop items are reflected in the Lbs column. Periodically we poll the industry for the yields of the drop items. The yields per 100 lbs. remain constant whether the steer weighs 1200 lbs. or 1375 pounds. As mentioned earlier these items and their respective yields collected

on the kill floor and do not include fabrication byproduct items. So for some of these items such as edible tallow and meat and bone meal the total yield (including fabrication floor input) would be higher. The yields shown are for each 100 lbs. of live steer.

NW\_LS441

Des Moines, IA

Tue, Apr 28, 2015

USDA Market News

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FOB CENTRAL U.S.

TODAY'S CALCULATIONS FOR BY-PRODUCT VALUE (STEER)

	Lbs	Price	Change	Value
			Prv/Dy	
Steer hide, butt brand/Pc	<b>4.80</b>	95.75	-	6.96
Tallow, edible	<b>1.20</b>	25.25	-	0.30
Tallow, packer bleachable	4.50	25.25	-	1.14
Tongues, Swiss #1 0-3%, exp	0.24	375.00	-	0.90
Cheek meat, trmd	0.32	195.00	-3.00	0.62
Head meat	0.13	110.00	-	0.14
Oxtail, selected	0.24	235.00	-	0.56
Hearts, reg, bone out	0.38	80.00	0.50	0.30
Lips, unscalded	0.13	235.00	-	0.31
Livers, slcted, export	0.96	60.00	-	0.58
Tripe, scalded edible	0.65	110.00	-	0.72
Tripe, honeycomb bleached	0.15	150.00	-	0.23
Lungs, inedible	0.47	6.00	-	0.03
Melts	0.14	6.50	-	0.01
Meat bone ml, 50% blk/ton	3.70	374.50	-	0.69
Blood meal, 85% blk/ton	0.60	885.00	-	0.27
Totals:	18.61			13.76

Dressed equivalent basis (63% dress): 21.84

(1) Typical slaughter steer weighs 1,360 pounds.

For example each 100 lbs of live steer yields **4.80** lbs. of Butt Branded Steer hide. The hide weight for a 1375 lb. steer would be 4.80 times 13.75 for a total weight of 66.0 lbs. We do make weight adjustments on the hide throughout the year. The hides get heavier in the summer and lighter in the winter. We use the following table for hide weight adjustment, .02 once or twice a week.

January	5.38(mimimum weight)	July	4.92(maximum weight)
February	5.40 " "	August	4.91 " "
March	5.33(maximum weight)	September	4.95(minimum weight)
April	5.19 " "	October	5.03 " "
May	5.06 " "	November	5.15 " "
June	4.96 " "	December	5.28 " "

The kill floor yield of edible tallow per 100 lbs of live steer is **1.20** lbs. A 1375 lb. live steer will have a kill floor yield (1.20 times 13.75) totaling up to 16.50 lbs. Most of the edible tallow from a steer carcass comes from the fabrication floor and those numbers are reflected in the box-beef cutout.

The price column shows the current market price for the by-product items. These values are pulled from the NW\_LS440 USDA BY-PRODUCT PRICE REPORT and the NW\_LS442 USDA TALLOW, PROTEIN, AND HIDE REPORT.

NW\_LS441  
Des Moines, IA Tue, Apr 28, 2015 USDA Market News

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TODAY'S CALCULATIONS FOR BY-PRODUCT VALUE (STEER)

	Lbs	Price	Change	Value
			Prv/Dy	
Steer hide, butt brand/Pc	4.80	95.75	-	<b>6.96</b>
Tallow, edible	1.20	25.25	-	<b>0.30</b>
Tallow, packer bleachable	4.50	25.25	-	1.14
Tongues, Swiss #1 0-3%, exp	0.24	375.00	-	0.90
Cheek meat, trmd	0.32	195.00	-3.00	0.62
Head meat	0.13	110.00	-	0.14
Oxtail, selected	0.24	235.00	-	0.56
Hearts, reg, bone out	0.38	80.00	0.50	0.30
Lips, unsalded	0.13	235.00	-	0.31
Livers, slcted, export	0.96	60.00	-	0.58
Tripe, scalded edible	0.65	110.00	-	0.72
Tripe, honeycomb bleached	0.15	150.00	-	0.23
Lungs, inedible	0.47	6.00	-	0.03
Melts	0.14	6.50	-	0.01
Meat bone ml, 50% blk/ton	3.70	374.50	-	<b>0.69</b>
Blood meal, 85% blk/ton	0.60	885.00	-	0.27
Totals:	18.61			13.76
Dressed equivalent basis (63% dress):				21.84

(1) Typical slaughter steer weighs 1,375 pounds.

The value column reflects the value of each item per 100 lbs. of live steer.

To calculate the value of the Butt Branded Steer hide in 100 lbs. of live steer we divide 95.75 (per piece value of Butt Branded Steer hide) by 13.75 for a value of **6.96**.

The other items calculate a little differently. To arrive at the value of edible tallow in 100 lbs. of live steer, multiply 1.20 lbs. times .2525 (25.25 is a cwt. price) for a total of **0.30**. The tallow prices in the price column are CAF Chicago prices minus \$2.75 freight, which brings them back to Central prices.

Meat and bone meal and blood meal prices are per ton. The value of meat and bone meal in 100 lbs. of live steer is arrived at by multiplying 3.70 lbs. times (374.50 divided by 2000=0.18725) equaling **0.69**. The total value of meat and bone meal from a 1375 lb. steer is (13.75 times 0.69) 9.49.

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Tallow, packer bleachable	4.50	25.25	-	1.14
Tongues, Swiss #1 0-3%, exp	0.24	375.00	-	0.90
Cheek meat, trmd	0.32	<b>195.00</b>	<b>-3.00</b>	0.62
Head meat	0.13	110.00	-	0.14
Oxtail, selected	0.24	235.00	-	0.56
Hearts, reg, bone out	0.38	80.00	0.50	0.30
Lips, unscalded	0.13	235.00	-	0.31
Livers, slcted, export	0.96	60.00	-	0.58
Tripe, scalded edible	0.65	110.00	-	0.72
Tripe, honeycomb bleached	0.15	150.00	-	0.23
Lungs, inedible	0.47	6.00	-	0.03
Melts	0.14	6.50	-	0.01
Meat bone ml, 50% blk/ton	3.70	374.50	-	0.69
Blood meal, 85% blk/ton	0.60	885.00	-	0.27
Totals:	18.61			13.76
Dressed equivalent basis (63% dress):				21.84

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The **Change Prv/Dy** column is the market price change from the previous day for that particular item. The current market price on Cheek meat, trmd on this report is **195.00** which is **3.00** lower than the price shown on the previous market day Monday, April 27, 2015, which was 198.00.

Once in a while we will go for an extended period of time without an item being reported. The by-products are under voluntary reporting. In that period of time the price we are showing may not be a good indication of what the value of that by-product item is. In cases like that we will poll the industry to get an idea of what the value it for that particular item and plug in a nominal price to better reflect the current value of that offal item.

Some of the items on the By-Products drop value report have a greater impact on the total drop value than others. If you look down the Value column you can see what items contribute the most to the total drop value. On the report below the Steer Hide contributes the most to the total drop value with a value of **6.96**. Tallow, packer bleachable is second with a **1.14** contribution to the total drop value. The column on the right shows the percent of the total drop that each item is contributing on this report for Tue, April 28, 2015. These percent are not constant and will change daily as the prices change for the different by-products drop items.

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	Lbs	Price	Change	Value	
			Prv/Dy		
Steer hide, butt brand/Pc	4.80	95.75	-	<b>6.96</b>	<b>50.58%</b>
Tallow, edible	1.20	25.25	-	0.30	<b>2.18%</b>
Tallow, packer bleachable	4.50	25.25	-	<b>1.14</b>	<b>8.28%</b>
Tongues, Swiss #1 0-3%, exp	0.24	375.00	-	0.90	<b>6.54%</b>
Cheek meat, trmd	0.32	195.00	-3.00	0.62	<b>4.51%</b>
Head meat	0.13	110.00	-	0.14	<b>1.02%</b>
Oxtail, selected	0.24	235.00	-	0.56	<b>4.07%</b>
Hearts, reg, bone out	0.38	80.00	0.50	0.30	<b>2.18%</b>
Lips, unscalded	0.13	235.00	-	0.31	<b>2.25%</b>
Livers, slcted, export	0.96	60.00	-	0.58	<b>4.22%</b>
Tripe, scalded edible	0.65	110.00	-	0.72	<b>5.23%</b>
Tripe, honeycomb bleached	0.15	150.00	-	0.23	<b>1.67%</b>
Lungs, inedible	0.47	6.00	-	0.03	<b>0.22%</b>
Melts	0.14	6.50	-	0.01	<b>0.07%</b>
Meat bone ml, 50% blk/ton	3.70	374.50	-	0.69	<b>5.01%</b>
Blood meal, 85% blk/ton	0.60	885.00	-	0.27	<b>1.96%</b>
Totals:	18.61			13.76	
Dressed equivalent basis (63% dress):				21.84	

(1) Typical slaughter steer weighs 1,375 pounds.