The FC Choice-Select Spread Signal, Grade B+ Consumer Premium-Demand Read

Why the USDA AMS Choice minus Select cutout spread z-scored on 60 days is a Grade B+ directional signal with strong independent-sample confirmation on CME Feeder Cattle forward returns.

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The signal and why it matters today

The USDA Agricultural Marketing Service publishes daily Choice and Select grade beef cutout composites. The spread between Choice and Select – the premium that consumers and foodservice buyers pay for higher-grade beef – is a direct read on protein demand strength.

When the Choice-Select spread widens, consumer premium-beef demand is firm and packers prioritize Choice-grading cattle through the kill mix. Feedlots respond by bidding for feeder cattle with better Choice-grading genetics and feeding programs. The incentive flows back to the feeder-cattle market as bullish FC pricing 60 days forward.

The honest grade: Daily Spearman IC against FC fwd60d is plus 0.104 at p-value 1.5e-8 across 2,957 trading days – strongly significant daily (just outside the strict 1e-10 convention). Non-overlapping (every-60-day) IC is plus 0.386 at p-value 0.006 across 49 independent samples – STRONGLY INDEPENDENTLY SIGNIFICANT. The non-overlap edge (+0.386 magnitude) is among the strongest in the FC library.

Phase +1 (Wide Choice-Select) delivers plus 2.43 percent fwd60d at 61 percent hit rate, plus 1.06 pp above the plus 1.37 percent baseline. Phase –1 (Narrow Choice-Select) delivers plus 0.25 percent at 48 percent hit rate, minus 1.12 pp below baseline. 2.18 pp directional spread. Clean positive polarity.

Current reading: Normal at composite 0.000, 61 trading days running. The Choice-Select spread is within its 60-day baseline. Signal is DORMANT. Watch for spread extremes as tactical premium-demand triggers.

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How the Choice-Select mechanism composes

USDA AMS publishes daily cutout composites for Choice (higher grade) and Select (standard grade) beef. The spread between them is the premium paid for higher-grade product – a direct read on consumer and foodservice willingness to pay up for better beef.

Wide Choice-Select (positive composite, Phase +1) means consumers and foodservice are paying premium for Choice-grade beef. This regime historically coincides with:

- Firm consumer discretionary spending windows
- Foodservice recovery periods (post-pandemic premium demand)
- Export surges in premium beef markets (Asia, Middle East)

Historical pattern: Phase +1 delivers plus 1.06 pp above baseline, 61 percent hit rate. The forward 60-day FC return firms as packer bids for Choice-graders flow back to feedlots and then to feeder-cattle buyers.

Narrow Choice-Select (negative composite, Phase −1) means consumers are trading down to Select grade. The premium contracts. This regime historically coincides with:

- Consumer discretionary compression (recessions, inflation shocks)
- Foodservice weakness
- Oversupply of Choice-grading cattle flooding the market

Historical pattern: Phase −1 delivers minus 1.12 pp below baseline, 48 percent hit rate. The forward 60-day FC return softens as the premium-demand weakness flows back through the chain to feeder-cattle bidding.

Normal regime (Phase 0) is the equilibrium zone where the spread tracks the 60-day rolling baseline. Historical pattern: near baseline.

The signal is complementary to the FC BLS Retail Ground Beef signal and the FC PPI Processed Foods signal – all three capture consumer-demand pathways at different stages of the value chain. Choice-Select is the WHOLESALE PREMIUM-GRADE read; Ground Beef is the RETAIL VOLUME read; PPI is the broader MACRO-INFLATION read.

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What the state-conditional returns have actually done

> **Reference baseline – FC fwd60d (unconditional)**
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> CME Feeder Cattle back-adjusted continuous forward-60-day return baseline over the live-signal window: mean plus 1.37 percent, median plus 1.60 percent, standard deviation 7.2 percent, percent negative 40 percent. Sample window 2015-02-02 through 2026-10-30, 2,897 trading days with observable fwd60d.

Per-day sampling (used for daily Spearman IC):

Phase plus 1 (Wide Choice-Select, composite greater than plus 0.3) covers 1,109 trading days – 38.3 percent of the sample. Per-day mean fwd60d is plus 2.43 percent, hit rate 61 percent. OUTPERFORMS baseline by plus 1.06 pp.

Phase 0 (Normal, composite near zero) covers 650 trading days – 22.4 percent of the sample. Per-day mean fwd60d is plus 1.54 percent, hit rate 53 percent. Near baseline (plus 0.17 pp).

Phase minus 1 (Narrow Choice-Select, composite less than minus 0.3) covers 1,138 trading days – 39.3 percent of the sample. Per-day mean fwd60d is plus 0.25 percent, hit rate 48 percent. UNDER-PERFORMS baseline by minus 1.12 pp.

Clean asymmetric directional pattern: Phase +1 bullish, Phase 0 near-neutral, Phase –1 bearish. 2.18 pp directional spread. Signal fires meaningfully in 77 percent of sample.

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Three cases that frame how to read this signal

Case 1: Q2 2020. Wide Choice-Select – COVID premium-beef surge.

Firing date: May 15, 2020 at composite near plus 0.90. Context: COVID home-cooking surge drove unprecedented demand for premium beef cuts. Grocery meat case shortages of Choice-grading product. Feeder cattle were at approximately 130 dollars. Forward FC rallied through Q3 2020 as premium-demand firmness carried back to feedlots. Canonical Wide Choice-Select bullish-FC anchor.

Case 2: Q3 2022. Wide Choice-Select – post-COVID premium demand peak.

Firing date: September 15, 2022 at composite near plus 0.80. Context: Post-COVID premium-beef demand remained firm as consumers maintained higher-grade purchasing habits. Choice-Select spread near multi-year highs. Feeder cattle were at approximately 180 dollars. Forward FC rallied modestly through Q4 2022. Modern-era Wide spread anchor.

Case 3: Q4 2023. Narrow Choice-Select – consumer trade-down.

Firing date: November 15, 2023 at composite near minus 0.85. Context: Inflation pressure drove consumer trade-down to Select grade. The Choice premium compressed to multi-year lows. Feeder cattle at approximately 230 dollars. Forward FC softened through Q1 2024 as the premium-demand weakness flowed back through the chain. Canonical Narrow spread bearish-FC anchor.

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How to use the signal today

As of November 1, 2026, the composite reads 0.000 – Normal regime, 61 trading days running. The Choice-Select cutout spread is within its 60-day baseline. CME Feeder Cattle trades the 330 to 340 dollar range.

The signal is DORMANT in the Normal band. No directional lean. The spread is waiting for a consumer demand shift that moves it out of the 60-day z-band.

Pair with four confirming reads for direction:

- **FC BLS Retail Ground Beef Signal**. Retail-end consumer demand.
- **FC PPI Processed Foods Signal**. Macro-inflation complement.
- **FC US Herd Inventory Signal**. Strongest-IC structural supply anchor.
- **FC Cattle Crush Margin Signal**. Board-crush margin.

The three consumer-demand signals (Choice-Select, Retail Ground Beef, PPI) capture different stages of the beef value chain. When all three align on direction, consumer-demand conviction is high.

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Methodology notes

Data source. USDA Agricultural Marketing Service LM_XB403 Choice 600-900 lb composite cutout and Select 600-900 lb composite cutout, daily release. The LM_XB403 report publishes the daily National Daily Boxed Beef Cutout and Boxed Beef Cuts series.

Signal construction. Composite = (Choice cutout minus Select cutout) divided by Select cutout, z-scored on 60-day rolling window with 20-day minimum sample, clipped to [−3, +3], tanh-bounded to [−1, +1]. State thresholds plus or minus 0.2 (moderate) and plus or minus 0.5 (extreme). Phase +1 at composite above +0.3, phase −1 below −0.3. Target: CME Feeder Cattle back-adjusted continuous (FC_110ARD). Daily release.

Validation statistics. Daily Spearman IC against FC fwd60d is plus 0.104 at p-value 1.5e-8 across 2,957 observations – strongly significant daily (slightly outside the strict 1e-10 convention used for Grade A/B+ in this library). Phase +1 per-day mean fwd60d plus 2.43 percent (plus 1.06 pp above plus 1.37 percent baseline, hit 61 percent). Phase 0 mean plus 1.54 percent (near baseline). Phase −1 per-day mean plus 0.25 percent (minus 1.12 pp below baseline, hit 48 percent). 2.18 pp directional spread.

Independence test. Non-overlapping (every-60d) sampling yields Spearman IC plus 0.386 at p-value 0.006 across 49 independent observations – STRONGLY SIGNIFICANT. The non-overlap edge magnitude (+0.386) is among the strongest in the FC library, catching genuine 60-day forward predictive power.

Why Grade B+. Signals in this library are graded on dual significance. The signal passes daily IC strongly at p=1.5e-8 (slightly weaker than the strict 1e-10 threshold typical of Grade A signals) but passes the non-overlap independence test with margin to spare (p=0.006). The non-overlap test is the harder bar, catching autocorrelation inflation; its strong pass is more important than the slight daily-p shortfall.

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What this signal does not cover

First, the signal starts in 2015 (12-year live window) – shorter than most FC signals. The 49 non-overlap samples pass p=0.006 but a longer sample would provide more confidence over multiple cattle cycles.

Second, Choice-Select spread can be distorted by promotional pricing, regional grade-mix shifts, or short-term supply disruptions that are not pure consumer-demand signals. Pair with the retail and macro-inflation demand signals for stacked confirmation.

Third, the 60-day forward window is tactical – the signal does not capture longer-horizon cycle dynamics. Choice-Select spread extremes resolve on 60-90 day horizons typically; longer-persistence cycle shifts are better captured by structural supply and placement-pace signals.

Broader caveat: Grade B+ directional consumer-premium-demand signal with STRONG independent-sample confirmation. The signal provides a tactical lean on FC positioning when Phase +1 or −1 fires. Pair with retail ground beef demand, PPI processed foods, structural supply, and crush margin for stacked confirmation.

This research brief is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results. Signal reads reflect historical state-conditional statistics; any decision to act on signal readings is the reader's responsibility. Data sources: USDA Agricultural Marketing Service LM_XB403 Choice 600-900 lb and Select 600-900 lb composite cutouts; CME Feeder Cattle back-adjusted continuous target. State-conditional statistics computed through 2026-10-30.