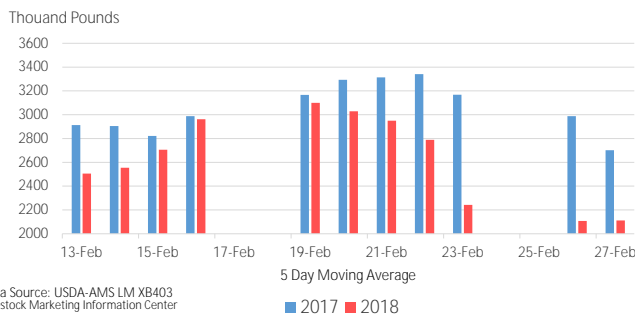


The Choice Beef Cutout got a nice boost last week and the momentum is carrying over into this week. The step up was a little steeper than the normal seasonal tendency and a week earlier than a year ago. The Choice Beef Cutout is set to go premium to the 90% Lean Beef Trim price this week. Last year, the Choice Beef Cutout advanced above 90% Lean Beef Trim values in the second week of March and stayed there for three weeks.

Choice beef volumes in negotiated trade have been limited in recent days, suggesting that beef processors were well-sold going into the first weekend in March. Beef production during the first half of February was up 3-4% from a year earlier, yet trade volumes have run below a year ago throughout the second half of the month, and by an amazingly wide margin in recent days.

Choice Beef Trade Volume
Negotiated Sales



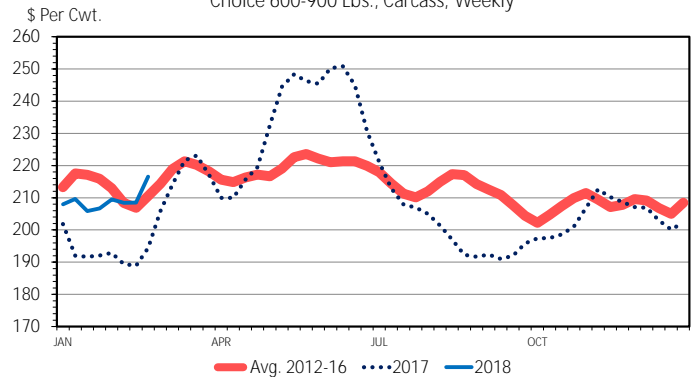
Data Source: USDA-AMS LM XB403
Livestock Marketing Information Center

The current situation for beef supplies is similar to a year ago, in terms of comparisons to the prior year. The Livestock Marketing Information Center (LMIC) is expecting current quarter beef production to be up 3.6%. A year ago, first quarter beef production was up 6.1%, and consumer demand for beef was on the verge of a revival after a disappointing 2016. The stability in the Choice Beef Cutout paralleling the production increase so far this year supports a continuation of the optimism about the beef market that developed last year.

This year's challenge lies in the size of the increase in beef production during the spring quarter. Last Spring, beef production increased 3.5% from the Spring of 2016. This Spring's projected increase is pegged at 6.3% by the LMIC, an acceleration in output instead of moderation from the Winter to the Spring. In late

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly



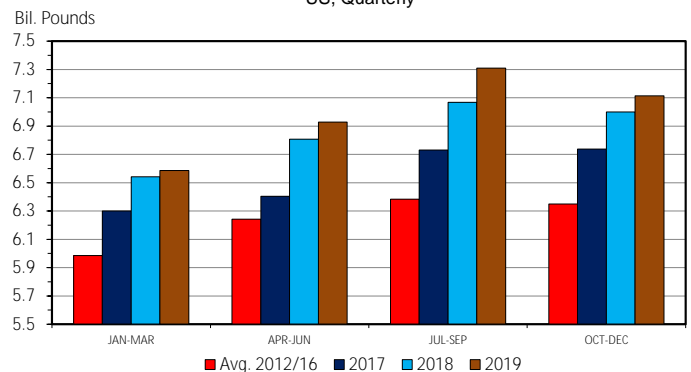
Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-62
02/28/18

February 2017, the cattle futures market was structured to sell more beef in the Spring by pricing April cattle at a \$9 discount to the spot cattle market and June cattle were discounted \$19. This year, April cattle are discounted \$4 and June cattle are discounted \$11 to the spot cash cattle market.

COMMERCIAL BEEF PRODUCTION

US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

M-S-01
02/07/18

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