

This year has been anything but typical, so far, in terms of livestock pricing and seasonal trends. However, meat trends are more heavily influenced by seasonal changes in consumer preferences. The underlying primals that shape cutout values change their influences throughout the year, highlighting times of the year such as grilling season, or holidays.

Both the pork and beef cutout values—usually— see an uptick heading into summer. Beef cutout values typically rise from February, and peak in June before sliding lower in the second half of the year. Pork cutout values—usually— rise steadily in the first half peaking near the first of July before trending lower the remainder of the year. The graphs to the right illustrate the five year average for these values, along with last year's pattern. One thing that stands out is how atypical last year was for beef and pork cutout seasonal patterns. The beef cutout felt the effects of the Tyson fire in the second half of the year and the pork cutout took hits from multiple trade influences and high levels of production.

The pork cutout has had a dramatic dip, which is unusual, but more similar to last year's value pattern. The changes in values, however, haven't been unique to one primal composite value. February monthly averages were lower across the primal values, with belly values taking the hardest hit, down \$24 per cwt compared to January. This too, is similar to last year, when the belly primal fell from \$129 per cwt to averaging \$106 per cwt in February 2019. Could this be the increased influence of trade on the wholesale market? Possibly, weekly pork exports suggest China purchased an average of 2400 metric tons less per week in February compared to January 2020. Total known purchases show an average decline of 600 metric tons from all countries. Official trade data from USDA FAS will tell more of the story, but that data is released on a 1-month lag.

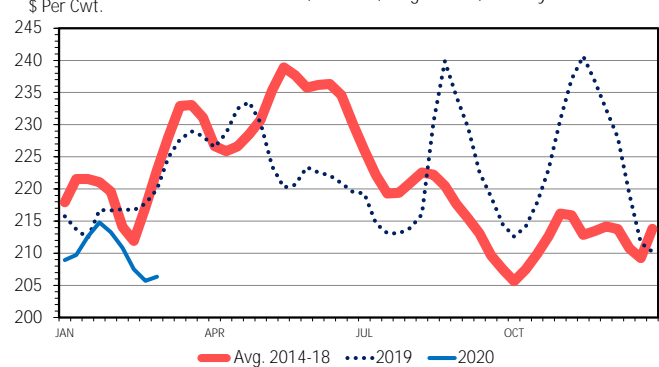
The beef cutout is heavily influenced by the loin primal values heading into the second quarter when those values tend to gain steadily. Loin strip prices are currently two weeks behind the historical, and last year's pop in prices. Beef trimmings have also lost extensive value since the beginning of the year after the 90% lean trimmings hit record highs. Those values have fallen for 5 consecutive weeks. The fresh 50% lean trimming market has also moved lower. Chuck and round primal values have eased lower, with seasonal norms.

The next couple of weeks will be very telling of domestic demand in the beef market. The strong appetite for beef that helped support prices last year, faces economic headwinds that were noted in yesterday's DLR.

The pork cutout will rely more so on exports and the world's appetite for U.S. pork to improve its value expectations. Last year, the domestic demand increased for pork as well, but large gains in exports helped move supplies. Large pork supplies could continue to dampen

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly

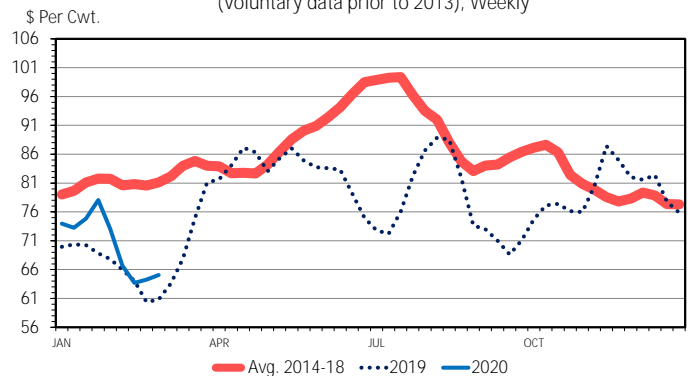


Data Source: USDA-AMS
Livestock Marketing Information Center

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PORK CUTOUT VALUE

(Voluntary data prior to 2013), Weekly

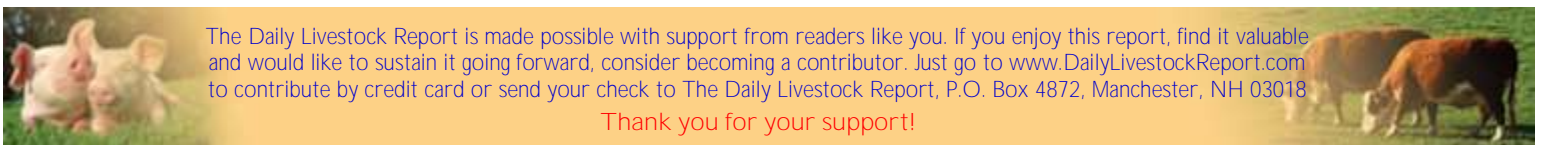


Data Source: USDA-AMS, Compiled by LMIC
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the pork cutout value unless the export market can quickly overcome coronavirus and its implications for global pork consumption should the world economy slows significantly.

Decisions to increase pork production in 2020 were predicated on increased shipments to ASF affected countries overseas. Those export expectations are likely lower in the first quarter than originally projected. The world is still very much in the reactionary phase of this public health event and by second quarter more information could provide certainty in the meat markets. Still, beef and pork cutout values are expected to have a volatile year given the nature and uncertainty of disease outbreaks.



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