

In this report we make an effort not to make a bullish or bearish argument for the market, which sometimes upsets those that hold a certain view of market conditions. The goal is to outline some of the facts, as we see them, and hopefully spark an idea or two for those willing to look at the data. With that said, below is a brief recap of some factors affecting cattle/beef market:

**Weather continues to punish feedlots.** Parts of South Dakota are expected to get as much as two feet of snow by Friday. The storm is expected to affect much of the Midwest dumping either snow or rain, with wind gusts in some areas at 50 miles per hour. In our April 5 report we noted the higher costs of gain for feedlots in Kansas in February. Conditions in other areas have been even worse and the most recent storm will likely further add to the misery.

**Packers holding the line...for now.** Fed cattle slaughter last week was estimated at 480,000 head, 1.6% lower than the same week a year ago. In the last four weeks fed cattle slaughter has averaged 481,000 head per week, 1.2% higher than the same period a year ago. Retail and foodservice demand does not start to ramp up until later in April when warm spring weather returns in much of the country. Packers have a few more cattle booked on a forward basis for April delivery, giving them a bit more breathing room in negotiations with feedlots. Forward booked cattle for April delivery were last reported to be about 40k head bigger than a year ago. But booking cattle forward only goes so far. Ultimately the price levels packers will pay for cattle will be determined by the supply of cattle on feed and demand at both retail and foodservice.

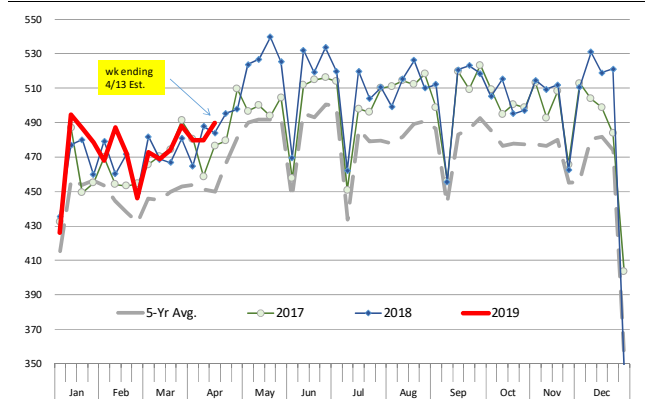
**Beef featuring may not be as strong this spring.** At least this is the conclusion one can draw by looking at the amount of beef sold on a forward basis. In the last four weeks (Mar 9 - Apr 5), the supply of beef sold for delivery in the next 22 to 60 days has been about 10% lower than the same period a year ago. And beef loads sold for delivery 61-90 days forward has been steadily trending lower. Last year we saw a big jump in forward sales in April, in part due to lower fed cattle prices and expectations of bigger supplies in June and July. Will packers lower forward asking prices to get retailers to run more beef ads during the summer?

**Packer margins remain in excellent shape.** Packers do really well when there are more cattle on feed (processing demand) and there is good demand for beef at retail and foodservice. Processing capacity is inelastic in the short term and packers can demand higher tolls for processing cattle and not fear that new plants will immediately open up to undercut their pricing. Labor remains a challenge for packers at this time, further fueling processing cost inflation.

**Export demand should be good but has not been so far.** There is a lot of speculation that strong global beef demand will support US cattle and beef prices. China has emerged as the biggest beef buyer in the world, absorbing about half of beef exports from major South American suppliers and taking a larger share of the beef that Australia and New Zealand have to offer. But, the comprehensive cutout report shows that beef export sales in the four weeks ending April 5 have been about 15% lower than a year ago. The FAS weekly export sales report also shows lower beef sales. Sales to Japan have significantly slowed down and Hong Kong is not pulling as much as it was hoped. This could change in the second half but, for now, the slower pace of export sales adds to Q2 market uncertainty.

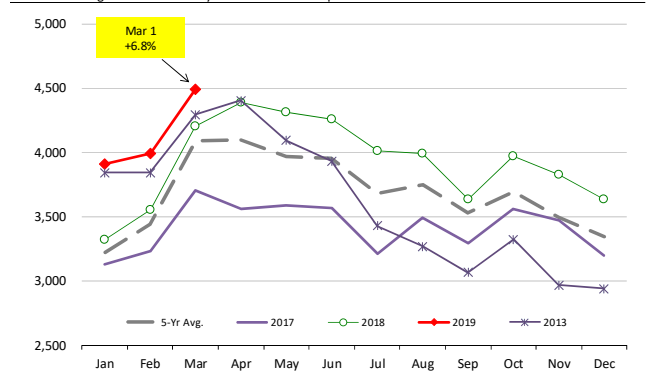
## WEEKLY STEER AND HEIFER SLAUGHTER, '000 HEAD

Source: USDA



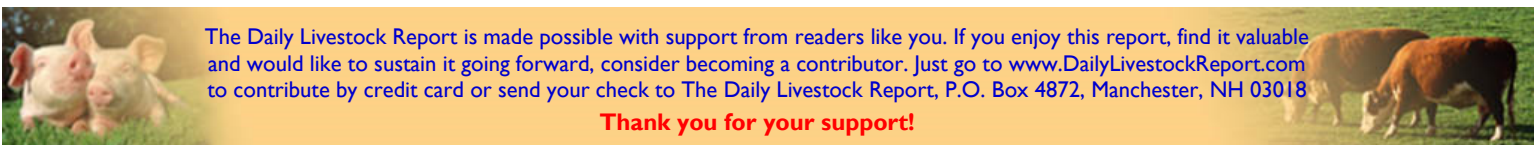
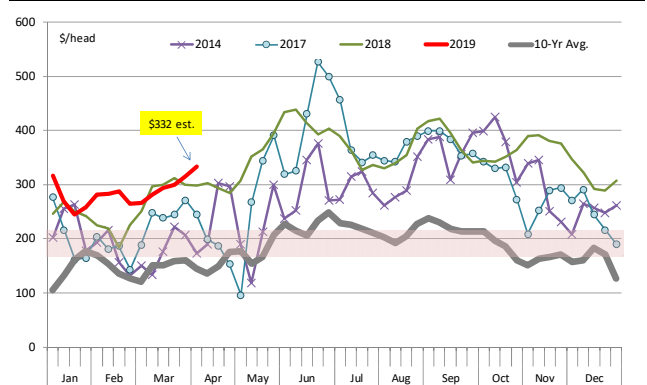
## INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE

Calculated using the USDA Monthly "Cattle on Feed" Report



## BEEF PACKER CALCULATED GROSS MARGIN, \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices



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