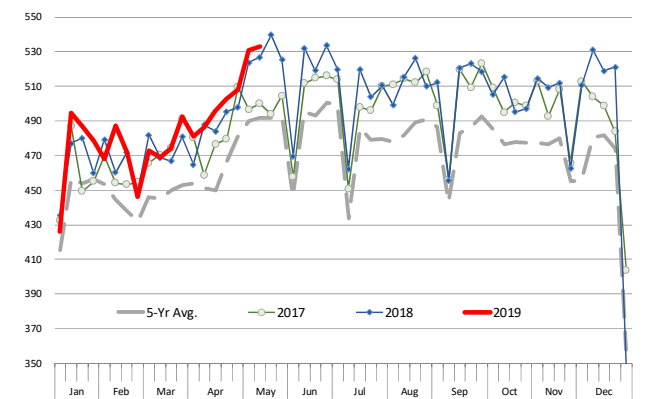


**Wholesale beef prices have come under some pressure in the last two weeks, negatively impacting the fed cattle values.** The choice beef cutout was quoted yesterday afternoon at \$223.87/cwt, \$10.6 or 4.5% lower than where values were two weeks ago. The select cutout during this period was down 4.9%. It is a bit unusual for choice cutout values to decline during this time of year but not entirely unprecedented. Most people will focus on cutout trends in the last couple of years and, when numbers are viewed in that context, the selloff appears quite dramatic. Last year the choice cutout rallied from around \$218/cwt at the start of April to the low \$230s by mid May. The cutout did not start to come off until late June. In 2017, the choice cutout staged an even more dramatic rally, from the around \$209/cwt in early April to the high \$240s by mid May and then over \$250 by mid June. The five year price seasonal factor illustrates recent seasonal price tendency (see chart #2). And yet, this is the risk when we compare to recent history and **fail to account for particular factors that affect the market in any given year.** For one, April and early May this year have been cooler and with more precipitation than normal. In the last 30 days some parts of the country have seen over 8 inches more precipitation than normal. **This kind of weather pattern does not help retailers with their spring beef features.** Still, that only explains part of the story. One thing that becomes apparent from the seasonal chart to the right is **the high value of the cutout through much of March and into April.** Retailers took advantage of the lower prices earlier in the year to book some product forward. In late February, we were writing in this report how forward sales were running 20% to 40% above year ago levels, depending on the delivery window. Those strong forward sales limited supply availability and “supercharged” prices in April. But in doing so they **may have also limited the ability of retailers to plan big features for May and challenged the ability of distributors to book spring orders.**

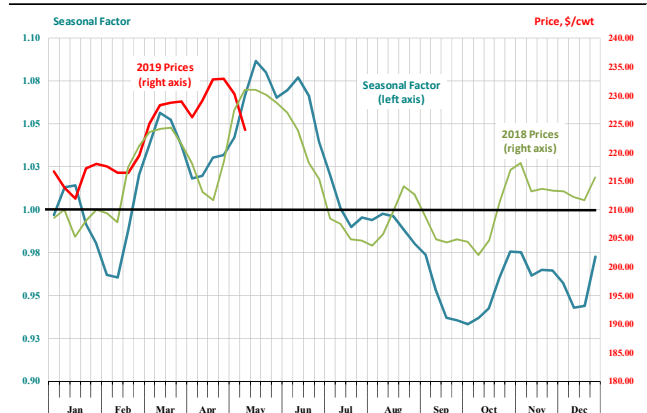
Looking back at years when slaughter numbers were more comparable to the current year, we see **some interesting parallels.** In 2010, the choice cutout peaked in the first week of May and then declined by almost 11% between second week of May and third week of June. In 2011, the choice cutout actually peaked in early April and then continued to move lower through June (no Memorial Day bump), an 11% decline. In 2012 we saw a pattern more comparable to the last two years, a sharp decline in the value of the cutout in April followed by a bounce back and higher prices in late May and June. **There is one thing that is significantly different this year than it was in 2010 or 2011—the economy.** Back then the unemployment rate was over 9% compared to 3.6% currently. The consumer feels more secure in their economic outlook and the level of spending, both at foodservice and retail is significantly higher than it was a few years ago. This continues to be supportive for beef prices in the medium term despite recent setbacks. Indeed, the lower prices we are seeing now are happening just in time to offer retailers an opportunity to run more beef ads into Fathers Day and beyond. In addition, the lower prices already appear to be stimulating export sales. According to the latest USDA data, export sales last week were 42% higher than a year ago and up 9% in the last four weeks.

## WEEKLY STEER AND HEIFER SLAUGHTER, '000 HEAD

Source: USDA

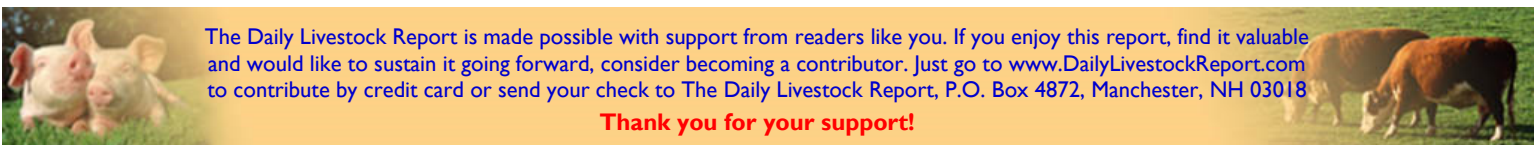
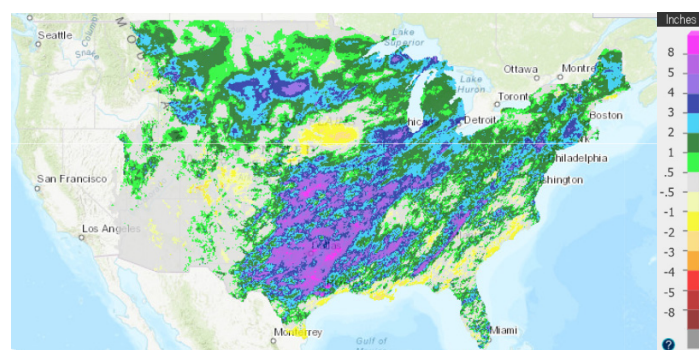


## Choice Cutout: 5-Yr Seasonal vs. Current Price Trends



## 30-Day Accumulated Precipitation. Departure from Normal

Source: NOAA



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