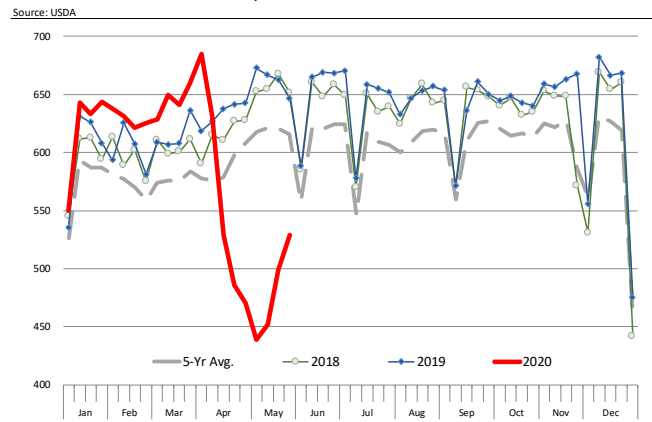


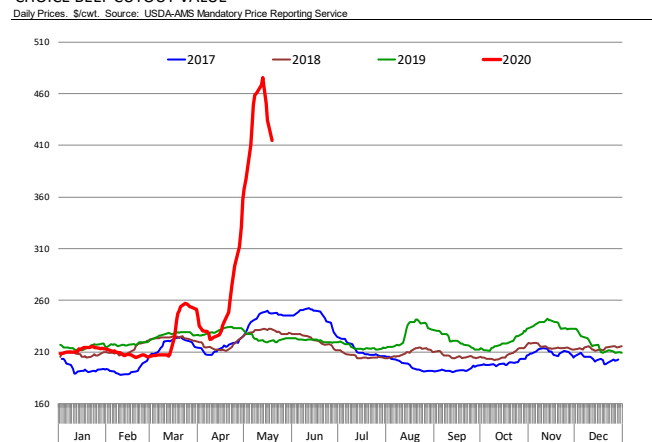
Cattle slaughter last week was estimated at 499k head, about 60k head or 14% higher than what it was two weeks ago. Even with this increase slaughter last week was still 25% lower than the previous year. **Weekly cattle slaughter since the second week of April has been a total of 2.875 million head, one million head or 27% lower than the same period a year ago.** The shortfall in supply in early April had only a marginal effect due to the corresponding decline in foodservice demand. But the effect of the shortfall has become ever more pronounced as restaurant sales are slowly improving and are expected to get better now that much of the country is reopening. Retailers are heading into what's traditionally the biggest meat consumption weekend of the year. **Getting product for the meat case is a priority every year but this year has been fraught with extreme competition.** This helps explain why the choice beef cutout jumped from around \$230/cwt in the first week of April to \$475/cwt last Tuesday. Normally demand slows down a bit once Memorial Day needs have been covered and combined with the slow increase in slaughter this has helped bring down wholesale beef prices - but they are still historically high. Last night the **choice beef cutout**, a weighted average price of the various cuts sold at wholesale, was \$415/cwt, **13% lower than the annual high established last Tuesday but still as much as 87% higher than a year ago.** The decline of the last few days has mostly come in those items that have seen the biggest surge in price: end cuts and grinds. The average value of the chuck primal last week was the highest on record at \$443/cwt, 157% higher than the previous year. Last night the chuck primal value was quoted at \$372/cwt, a significant downward adjustment but still more than double last year's prices. Similarly, the average round primal value last week was a record high of \$468/cwt, 187% higher than the previous year. On Monday night the value of the round primal was quoted at \$396/cwt, a significant decline from last week's average price but about 140% higher than a year ago.

**The spike in beef prices, and the possibility that beef supplies will remain well below year ago levels through the summer, has forced retailers to reconsider how they merchandise beef.** Pork and chicken may benefit from the possible widening gap of retail prices in the meat case. **The supply of beef sold on a forward basis, a proxy for future retail features and foodservice promotions, has declined sharply in the last three weeks.** For the week ending May 15 USDA reported that packers had sold only 283 loads of beef for delivery 22-60 days forward. This compares to 880 loads sold on that basis last year and an average of 773 loads for the past five years. Only 30 loads were sold on a forward basis for delivery 61-90 days out compared to almost 200 last year. Last year at this time, packers sold about 608 loads for delivery 90 days or more into the future. Given the lead time needed to buy commercials and roll out marketing programs, these sales often represent foodservice promotions down the road. Last week forward sales for delivery 90 days or more into the future were just 44 loads. In the last three weeks, such sales have averaged just 33 loads. More beef demand is being forced to stay on the spot market, increasing the risk for retailers and foodservice operators. But rest assured, the situation also presents significant risk for packers if they underestimate production levels and are left with more meat to sell in the spot market. Once feature spots and promos disappear, getting product sold in the spot market becomes increasingly difficult.

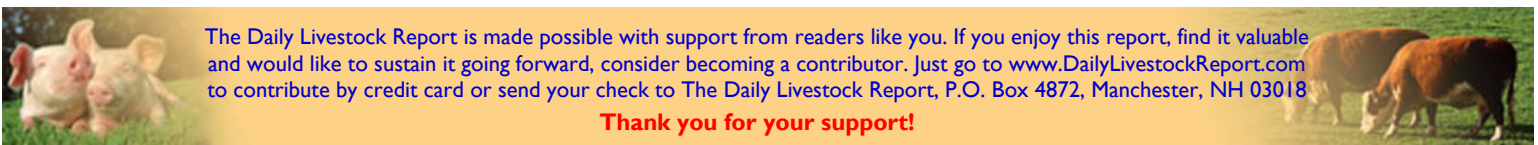
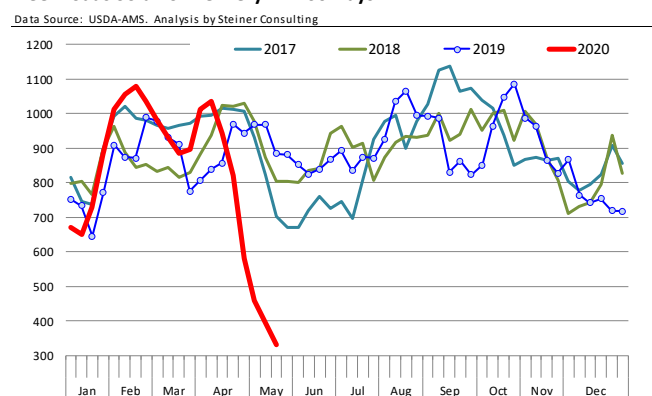
## WEEKLY CATTLE SLAUGHTER, '000 HEAD



## CHOICE BEEF CUTOUT VALUE



## Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA



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