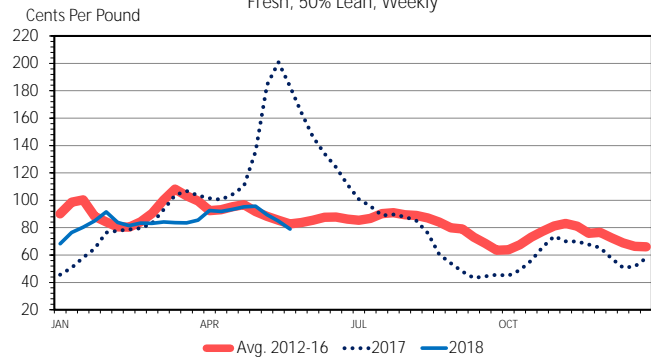


Fifty percent lean beef trimmings (fresh) prices during the spring can be volatile. Last year defined the limits of volatility, with prices peaking at \$2 a pound in the third week in May, easily a record high value, and double the price in mid-April, one month earlier. This year has been just the opposite, with the least amount of variation seen in many years. Values have been about the same as the five year average, trending from week-to-week in a typical seasonal pattern. Prices in April averaged 93 cents per pound and preliminary calculations for May are within a penny of the April average, although the range during the month has spanned 10 cents.

The dominant source of 50% lean beef trimmings supplies is steer and heifer slaughter. An approximate calculation of this supply can be derived from the product of slaughter times average carcass weights for steers and heifers processed. During 2016 and the first quarter of 2017, the supply of 50% lean trimmings had been increasing at rate of 6%-9%, year-over-year. In the spring of 2017, the pace of production increases slowed to 2.5%, primarily due to a decline in the average weights of dressed carcasses. Heifer carcasses were 40 pounds lighter in the spring of 2017 relative to the winter quarter. This compared to a 30 pound decline in the spring of 2016 and a 20 pound decline in 2015. Steer carcasses comparisons were similar, relative to prior springs.

It is worth noting that beef trim values are a component of the calculated value of the Choice cutout for steers and heifers. Last spring, the Choice cutout averaged \$2.34 per pound, up from \$2.19 in the spring of 2016. The same comparison for 50% lean

## WHOLESALE BONELESS BEEF PRICES Fresh, 50% Lean, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

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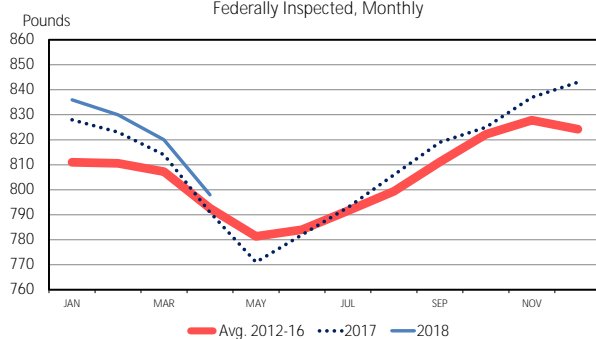
beef trimmings showed an average of \$1.41 per pound in the spring of 2017 versus 70 cents a year earlier, so trends in the beef trimmings market were a big factor driving overall beef market values last spring.

During the last quarter of 2017 and the first quarter of this year, beef production from steers and heifers, the proxy for 50% lean beef trimmings supplies, increased by 1.3% from a year earlier. Fifty percent lean beef trimmings prices during this interval have averaged above prior year values by 20 cents last fall and 5 cents in the first quarter of this year. This makes a favorable statement about demand for this product given the additional supply.

The average price for beef trimmings this quarter will be below the year earlier value, for the first time since the final quarter of 2016. However, this quarter's price will be 20 cents higher than in the spring of 2016 and supplies will be 9% larger. Last spring's prices was definitely an outlier when considering the amount of supply available to the market.

Large placements of cattle into feedlots in 2017 and the first quarter of this year have focused attention on increased steer and heifer slaughter this quarter and next. Feedlot marketing rates in recent months have been well below a year ago, which has the potential to spread out slaughter over a broader period, thereby moderating the supply side of the beef trimmings market. The accelerated dip in carcass weights this spring also plays to the argument of manageable supplies. At the current level of demand, 50% lean beef trimmings prices in the second half of 2018 could average above the same months in 2017.

## AVERAGE DRESSED WEIGHT -- HEIFERS Federally Inspected, Monthly



Data Source: USDA-NASS  
Livestock Marketing Information Center

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