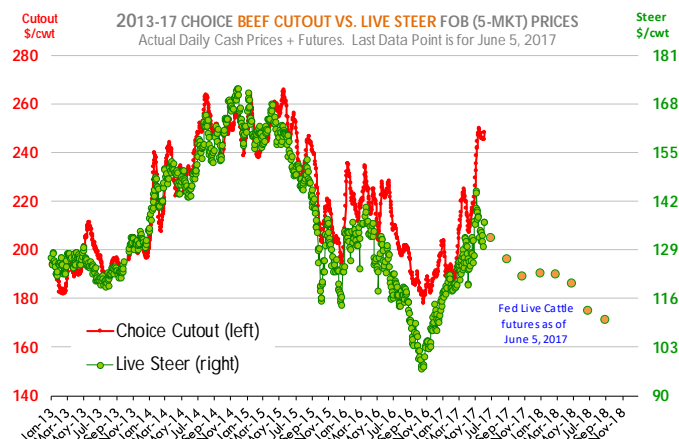
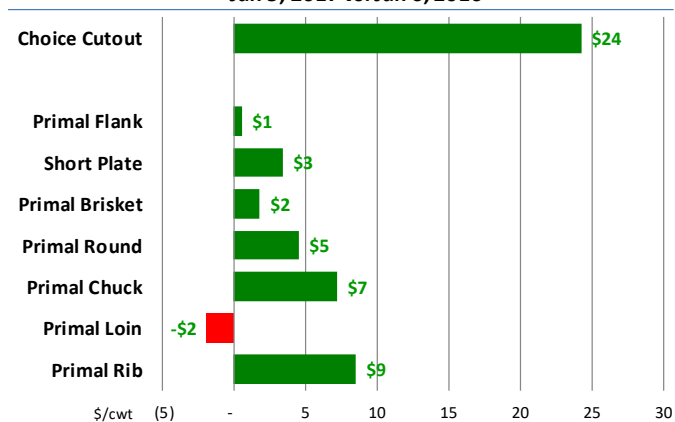


Correction: The broiler export chart in yesterday's report was incorrect. **On page 2 we have included the corrected chart as well as the breakdown of broiler exports (product wt.) for April.** Please note that the chart only shows exports of fresh/frozen broiler meat. It does not include cooked product or chicken paws. USDA/ERS released yesterday its calculations of export volumes on a ready to cook basis and chicken exports in April were down 4.5% from a year ago.

Cattle prices were higher yesterday and higher still on the open today as market participants try to reconcile expectations for softer prices post Memorial Day with the reality of choice cutout values going the other way. While cattle prices may appear high for this time of year (relative to what the market was expecting even four weeks ago) they are still way behind wholesale beef prices. Packer margins are in excellent shape and, given how strong demand for beef continues to be at this point, packers will likely remain aggressive in looking to buy cattle. Fed cattle weights may be down some 26 pounds from a year ago but given the current rate of marketings, it does not look likely that those weights will turn around in a hurry. The latest comprehensive cutout report indicated that forward sales have declined. Beef sales scheduled for delivery 22-60 days from now are down 10% from the same period a year ago and **beef sales for 61-90 days out are down 56% from the same period last year.** In the short term, however, it appears that end users find themselves unable to adjust their purchasing behavior. Retailers have two big sales weekends they need to prepare for (Father's Day and Independence Day). The retail beef feature activity index at this point is not showing signs of any significant slowdown and the feature price for ground beef remains under year ago levels. As we have noted before, the trajectory in the beef market will not change simply because restaurant or grocery buyers decide they will sit on the sidelines because they don't like the price. All that does is transfer some of the quantity needed from one week to the next with no real impact on quantity demanded. What will change the trajectory is the increase in consumer prices and we have yet to see a significant change in that regard. It is likely coming but it will take some time. In the short term, restaurant operator demand tends to be fairly inelastic. Sales and promotions for the summer were likely budgeted a while back when fed cattle futures were pricing the summer market about 25-30% less than current spot levels. Many of those budgets have now been busted. Some operators may have hedges that allow them to continue to operate at levels well under what the current spot market indicates, which also tends to delay the effect on consumer prices. It is situations like this that will give operators with good risk management programs an advantage, especially relative to independent operators that soon will face sticker shock from the next quote from their distributor. The point of all this is that it takes time for end users to adjust. In the short term inelastic demand continues to support beef

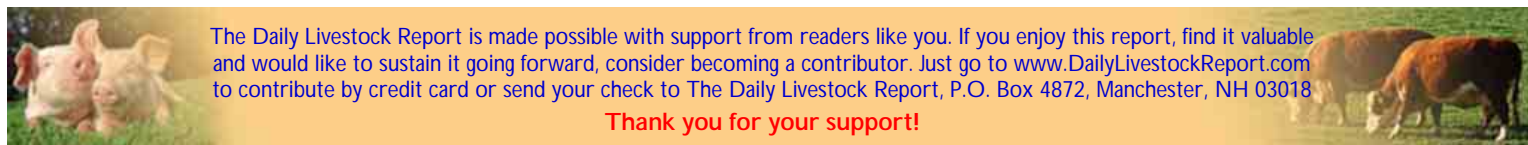


Change in **CHOICE BEEF Cutout Value and Contribution** by Primal
Jun 5, 2017 vs. Jun 6, 2016



prices at levels that were hard to envision a few months back.

Looking at the gains in the choice beef cutout, it is striking how balanced the gains have been. While beef rib prices are at all time record levels, other items are performing quite well. The chart above shows how each primal has contributed to the \$24 year/year gain in the cutout. Loins are the only item that is under last year but this is only because of how high loin values were at this time last year. Middle meat values at this point have hit some very lofty levels and market participants at this point continue to ponder when/if the normal seasonal for steak cuts comes into play.



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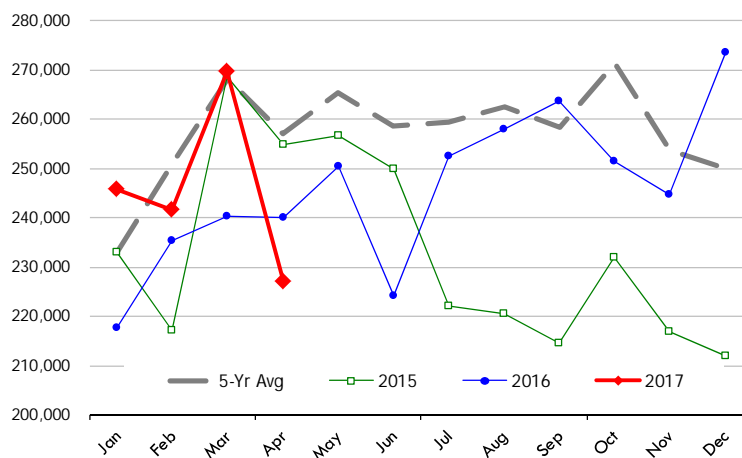
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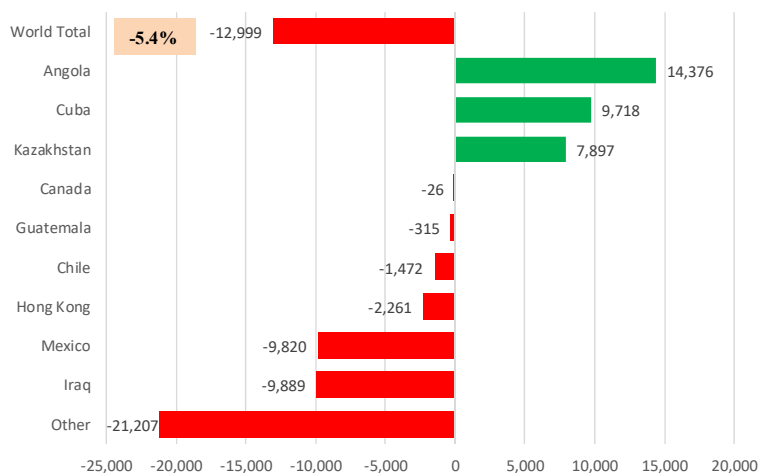
US Exports of Fr/Frz Chicken: World Total

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



Y/Y Ch. in Apr. 17 vs. Apr. 16 US Fresh/Frozen Broiler Meat Exports

Source: USDA/FAS Units: Metric Tons



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