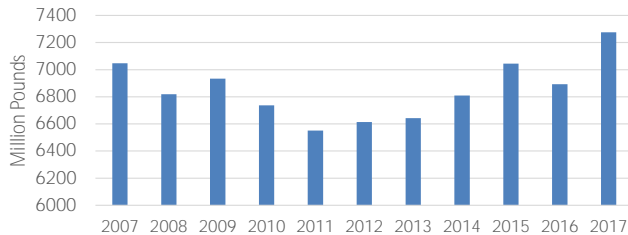


Supplies of beef normally marketed in the form of hamburgers or processed meats such as sausages and deli meats have been rising since 2011. Beef from cows and bulls (as opposed to steers and heifers) along with imported beef is typically marketed as 90% lean beef. In 2017, these supplies were up close to 10% from six years earlier.

LEAN BEEF SUPPLY

Cow and Bull Beef Production Plus Beef Imports



Source: USDA-NASS and USDA-ERS
Livestock Marketing Information Center

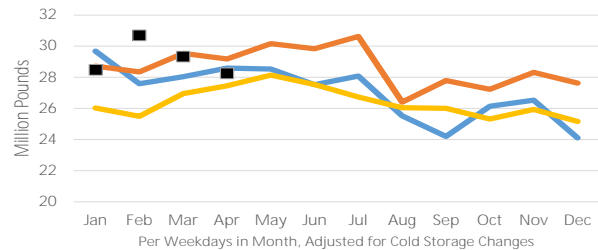
This year started out looking like another increase was likely, but trends this spring raise some doubts. Supplies in January and February were up 4 and 8 percent, respectively, but the January increase was boosted by one extra weekday than a year earlier. March supplies were down 5% from a year earlier, but similar to January, there was one less weekday than in March 2017, so on an equivalent workday/weekday basis, supplies were about unchanged this March. April was the reverse image of March, with supplies unchanged during the month but one more weekday, resulting in supplies per weekday falling short of the prior April. This declining trend from February to April is a contrast to the norm for these months in prior years of this decade. With this supply situation as the background for the market, the gradual increase in lean beef values is not surprising.

The big change between the first two months of the year and the third and fourth months of the year has been beef imports. In January and February, beef imports were above a year earlier by 20 million pounds per month (+10%, carcass weight equivalent). March and April beef imports were below a year earlier by about 15 million pounds per month. This is still just a partial offset to domestic beef production (Federal Inspected basis) from cows and bulls that was up 25 and 37 million pounds from a year earlier in March and April. The third component of lean beef supply, net in or out movement of trimmings from cold storage provides the last piece in the picture. In March 2017, there was a 41 million pound movement of beef trimmings out of freezers into market distribution channels. This compares to a 10 million pound increase in beef moving into

freezers this March, essentially a net 51 million pound reduction in lean beef supplies this March compared to a year earlier. That decline easily offsets the increase in cow and bull beef production. The story for April is similar, but not as dramatic. There was a 7 million pound out movement of beef trimmings from freezers in April 2017 compared to an 8 million pound movement of beef trimmings into cold storage this April, a net decline of 15 million pounds when comparing the two Aprils.

LEAN BEEF SUPPLY

Cow and Bull Beef Production + Imports

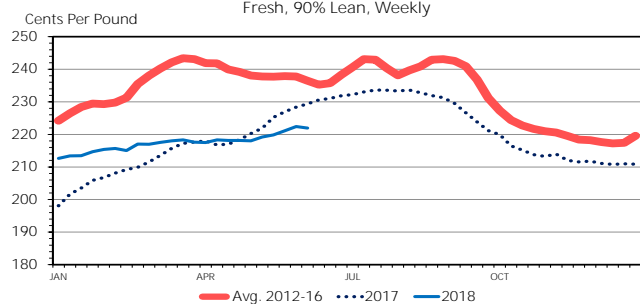


Source: USDA-NASS and USDA-ERS
Livestock Marketing Information Center

An interesting perspective related to price relationships has been divergent trends between fresh domestic lean beef and imported product. Domestic fresh 90% lean beef trim prices have moved up 4 cents per pound from February to May while Australia/New Zealand 90% lean beef prices have declined 9 cents. Prices for the supply component that is increasing are going up while prices for imported product are going down when availability is declining. These trends point to a shift in product demand favoring fresh product at the expense of frozen or imported beef.

WHOLESALE BONELESS BEEF PRICES

Fresh, 90% Lean, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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