

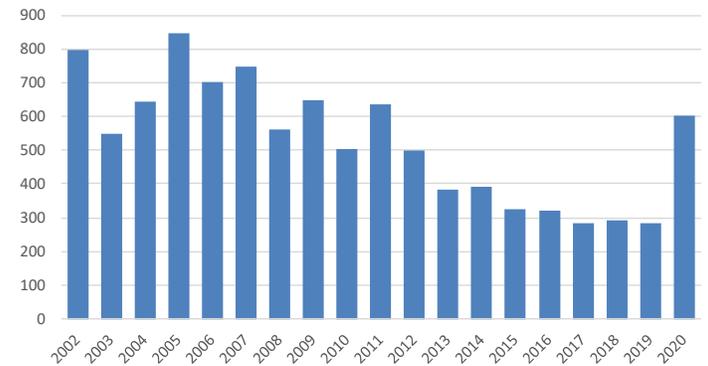
Our update yesterday highlighted the fact that packers have managed to increase the daily harvest rate to near year ago levels. When combined with higher Saturday slaughter and heavier carcasses, **the meat protein supply coming to market is now above last year's levels.** Combined production of beef, pork and poultry for the week ending June 14 was 1.972 billion pounds (carcass wt and ready to cook wt), **6.2% higher than the previous week and 1.2% higher than a year ago.** The increase in supply comes at a time when prices at retail have increased to reflect the jump in wholesale values in May. As product moves through the supply chain, there is a lag in price transmission. This tends to create a bullwhip effect, evidenced in the price spikes and subsequent declines in late March and then again in late May. High prices at retail have slowed down the quantity of meat products that consumers are demanding while the high slaughter rate means more product is getting jammed into the supply chain from the other end. A few weeks ago (see DLR 5/19) we highlighted the fact that sharply higher wholesale prices had significantly curtailed forward beef sales. Now that thin book of sales is catching up with packers and they are forced to sell more product in the spot market. To do that lower prices are needed and we have seen dramatic price deflation across all species. USDA reported that 602 choice beef loads were sold in the spot market last week (i.e. for delivery in 0-21 days), more than double last year's volume and the highest spot volume since 2011.

The choice beef cutout last week averaged \$240.77, 19% lower than the previous week but still about 8.4% higher than a year ago. In mid May the weekly average choice cutout value was \$459/cwt. But there are signs that the beef market is stabilizing. Current prices are once again offering end users an opportunity to get beef to customers at levels that can move volume. It may be a bit late to feed features going into the 4th of July, although we expect prices to be at more attractive levels than for Memorial Day. But it appears more features are currently expected for later in July and in August. USDA reported that 1,152 loads of beef were sold last week for delivery 22-60 days out. In late April and first two weeks of May, such forward sales averaged only 331 loads per week. And these forward sales are also about 23% higher than the same week a year ago. It is clear that participants see value at these levels, possibly hoping to capitalize on beef features to drive traffic. Looking at specific items, it appears that retailers are focusing on value to drive features. For instance, USDA noted that 104 loads of briskets were booked for delivery 22 days or more into the future compared to about 20 loads booked for such delivery a year ago. We do not know at what price this specific product was booked but the value of all briskets sold last week (includes spot, forward, export) was \$218/cwt compared to \$300/cwt last year. Similarly, 131 loads of outside rounds (flats) were booked to deliver beyond 21 days compared to 97 loads the same week last year. The average price of all outside rounds booked last week was \$207/cwt compared to \$211/cwt a year ago.

Lower beef prices are also attracting strong export market interest. Export sales were extremely depressed in May due to record high prices and uncertainty about future supplies. It appears that world buyers have come off the sidelines and started to place orders. The biggest gains are in sales to Asian markets. For the third consecutive week, over 1000 loads of beef were sold to buyers outside North America. This compares to an average of 802 loads per week during the same period last year. Chuck rolls are in high demand in S. Korea and Japan. Last week 163 loads of chuck rolls were sold for export compared to 23 loads the same week a year ago. The average price of chuck rolls last week was \$272/cwt compared to \$266/cwt. Goosenecks, eye rounds and outside skirts were also items that saw strong export sales last week.

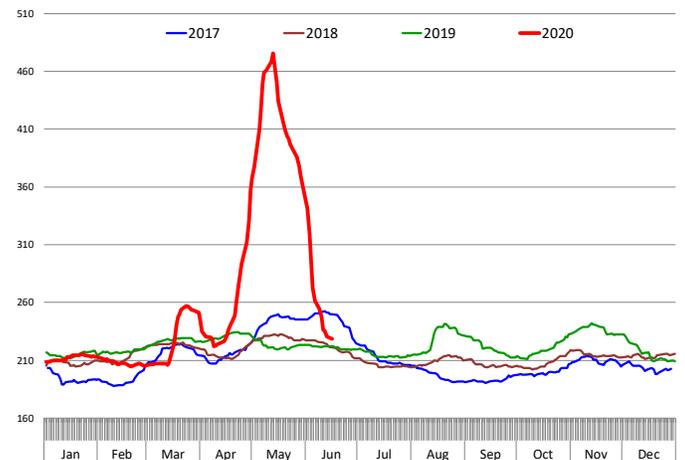
Number of Choice Beef Loads Sold in Spot Market for wk #24

Source: USDA-AMS. Analysis by Steiner Consulting



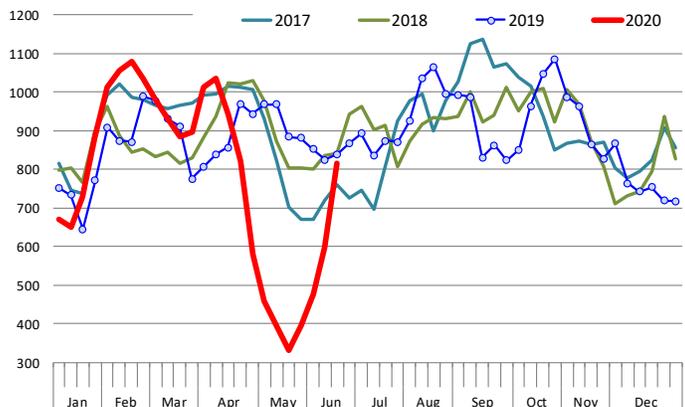
CHOICE BEEF CUTOUT VALUE

Daily Prices, \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service



Beef Loads Sold For Delivery 22 - 60 Days. 4-week moving avg.

Data Source: USDA-AMS. Analysis by Steiner Consulting



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