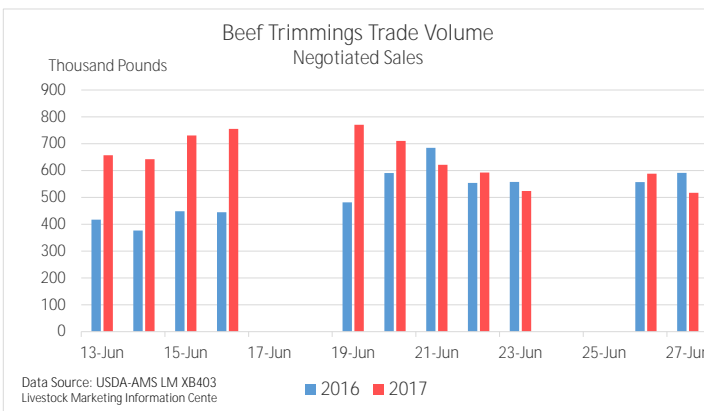


Economic gravity is exerting a downward force on Choice Beef Cutout values during the last week. Values dropped \$5 per cwt. on Tuesday, the biggest daily decline so far this year. The value is the lowest since the first week in May but is still 10% higher than a year ago. Cattle slaughter for the first two days this week was 4% more than a year ago. Beef production last week was up 1% from a year ago, with lighter average carcass weights moderating the impact of more cattle processed. Bigger production at higher prices translates as better product demand, a condition that has persisted for most of the year, but the trends of recent days does raise some concerns.

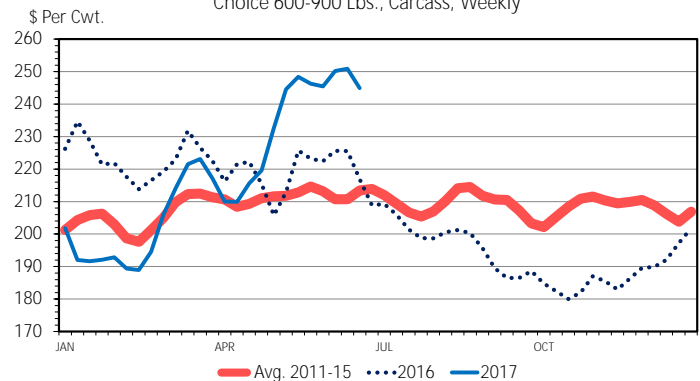
A contrast to the larger beef production volumes has been the amount of Choice Beef negotiated volume sales (for delivery in 0-21 days) during the June. At the start of the month, volumes were running 6% above the same week in 2016 as fill-in buying coming out of Memorial Day and early June retail features were positive. Volume slippage was significant during the second week in June, and by the end of that week volumes were slightly less than a year earlier, declining close to 10% from the start of the month. The downtrend persisted through the third week of the month, but appears to have bottomed around the 20th of June (see chart at right). Currently, volume on a 5 day rolling average basis is running 20% below late June 2016. The mismatch between production and trade is a big factor underlying the current weakness in Choice Beef values.

The rib and brisket components of the carcass are accounting for the bulk of the decline in the overall carcass value decline. The rib, source of ribeye steaks and prime rib roasts, registered a \$19 per cwt. drop (5%) in price on Tuesday and another \$17 decline on Wednesday. The value of the brisket primal fell \$14 per cwt on Tuesday, a 7% decline. Brisket prices showed more stability on Wednesday, with declines limited to 2%.

Beef chuck and round primal values have been stable relative to



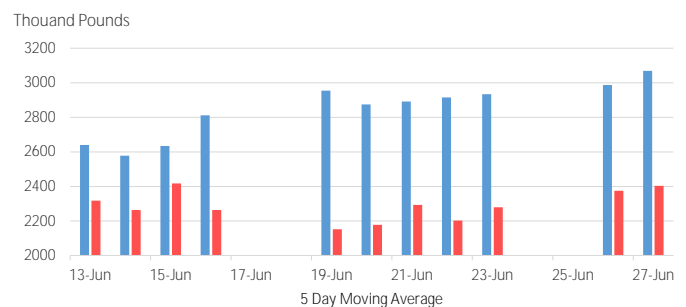
**BOXED BEEF CUTOUT VALUE**  
Choice 600-900 Lbs., Carcass, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

C-P-62  
06/26/17

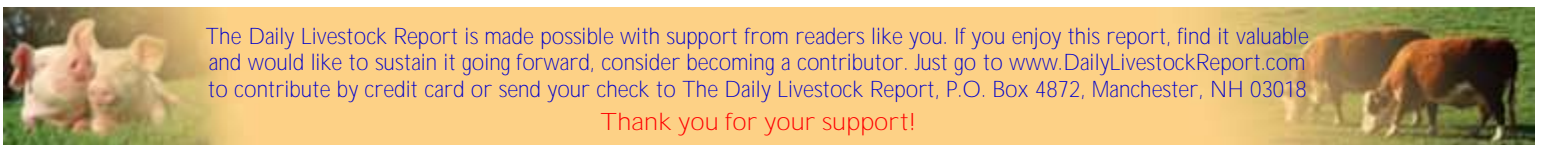
Choice Beef Trade Volume  
Negotiated Sales



Data Source: USDA-AMS LM XB403  
Livestock Marketing Information Center

■ 2016 ■ 2017

trends in the rib and brisket. Chuck and round values are only down 2% from last Friday, suggesting that demand for beef from these parts of the carcass is good going into the July 4th holiday. Beef trimmings trade volumes have also held up better than for Choice Beef carcass primals. Trimmings volumes started out June 7% less than a year earlier, but swung higher on excellent demand during the following two weeks, in contrast to Choice Beef cuts volumes. Volumes have moderated somewhat in the second half of the month, but are still running close to last year. The evidence of trimmings volumes and steady values for chucks and rounds points to grocery store feature focus on hamburger for Independence Day and early July.



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