

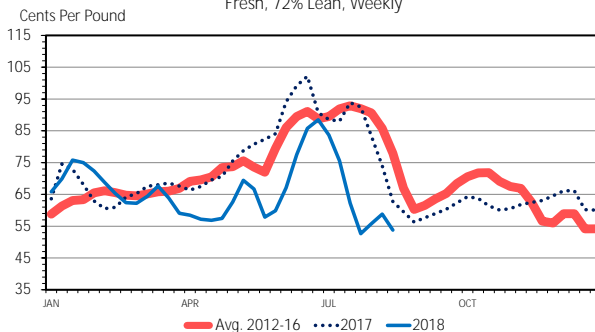
The Choice Beef Cutout moved above a year ago in the latest week, holding steady on modest volumes of negotiated spot market trade. Last week, production was up 3% from a year ago, highlighted by cow slaughter that was up 7%. Steer and heifer slaughter (the source of Choice-grade beef) was up slightly less than 3%. Beef production this quarter is pegged to be up 2.5% from last year by Livestock Marketing Information Center (LMIC). The slight increase in Choice beef values given the increase in supply makes a positive statement about current product demand conditions for beef.

Some of the improvement in Choice Beef Cutout value can be tied to rising prices for 50% lean beef trim prices since mid-year. USDA-Agricultural Marketing Service estimates that about 7% of a Choice beef carcass ends up as 50% lean trim, by volume. Prices for 50% lean beef trim in late May were less than half of what they were a year earlier, which was a record high value. Multiple market factors were at play a year ago to create that situation. Surprisingly lighter (when compared to the same time in prior years) steer and heifer carcasses from feedlot-marketed cattle were reducing the supply of 50% lean beef trim. Cow slaughter (dairy and beef breeding stock) last spring was up 8% from a year earlier, creating a larger supply of leaner beef material that requires blending with fatter 50% lean beef trimmings to produce typical hamburger product specifications. Last, and not least, pork trimmings prices were very high last year as hog dressed weights were also coming in lighter than expected and record-high bacon prices were limiting the amount of pork bellies going into the pork trim market.

The pork market situation is dramatically different than a year ago, as the demand for bacon has been disappointing, having a ripple

WHOLESALE PORK TRIMMING PRICES

Fresh, 72% Lean, Weekly

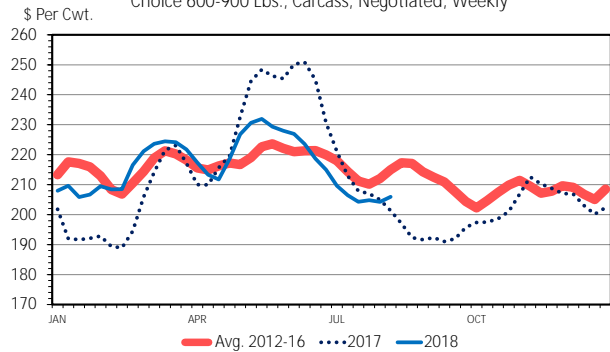


Data Source: USDA-AMS
Livestock Marketing Information Center

M-P-30
08/17/18

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly

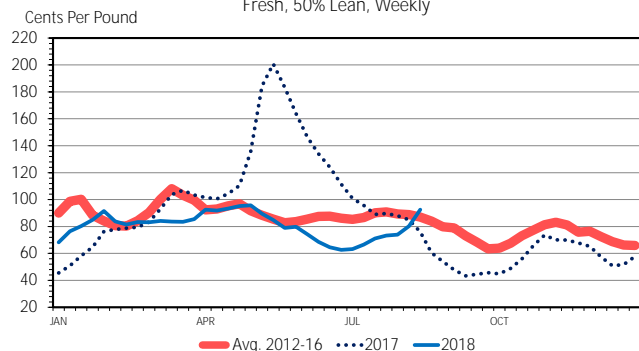


Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-62
08/14/18

WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

M-P-25
08/17/18

effect on pork trimmings prices. International trade issues are also a factor with the timing and magnitude of tariffs distorting pork trimmings price trends. Tangential market forces between pork and beef become more apparent. Meanwhile, cow slaughter this year continues to be up significantly, boosting the demand for 50% lean trim in hamburger formulations, and is probably a big factor supporting fatter beef trim values in the last two months. The extent to which these trimmings prices can move higher is questionable, however, given normal seasonal product demand trends and low prices for competing proteins such as pork and chicken.

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