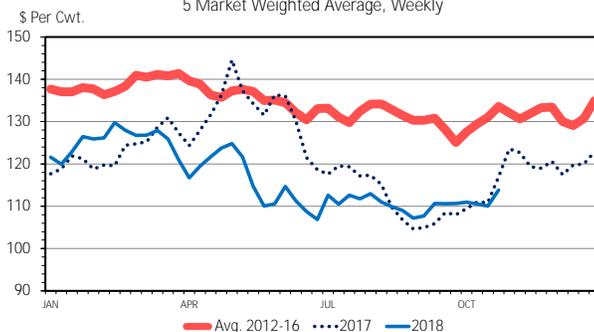


One of the surprises in the cattle and beef markets so far this year is the avoidance of a collapse in Choice beef prices at the wholesale level during the second half of the year. Last year, Choice beef values fell 10% from the start of July to the end of September as beef distribution channels struggled to move an increase of steer and heifer beef flowing from a big increase in cattle placed on feed during the second quarter of 2017. Placements in those months were up 12% from the average number of cattle placed on feed in the same months during the 2012-2016 interval. Not surprisingly, Choice cattle prices also fell by 10%, paralleling the decline in Choice beef values. What made this worse, however, is that Choice cattle prices had already declined 20% from their Spring quarter highs prior to the Summer quarter dip in value.

SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly

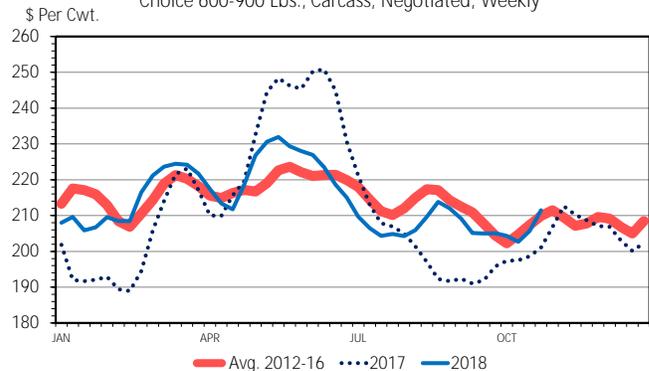


Data Source: USDA-AMS
Livestock Marketing Information Center 10/30/18

Using the May-June of 2017 feedlot placements as a benchmark (or a catalyst) for how cattle markets unfolded in following months, it is interesting that feedlot placements in May and June of this year were even larger, by 1%. Instead of declining similar to the prior summer, however, the Choice beef cutout value registered an impressive rally as cattle feeders metered a conservative rate of feedlot marketings leading to fed cattle slaughter falling short of expectations. A rally in 50% lean beef trimmings prices during the summer was a key factor lifting the Choice beef cutout value, which was probably influenced by less realized supply relative to expectations. The absence of a cattle market rally in the Spring also made it easier to get attractive pricing for beef aimed at Summer quarter marketing programs in both foodservice and grocery store marketing channels.

BOXED BEEF CUTOUT VALUE

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



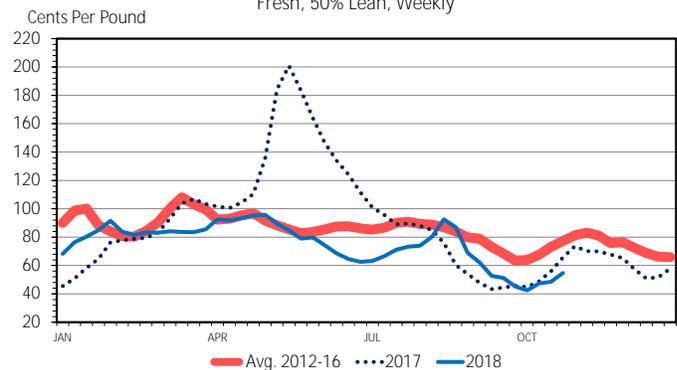
Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-62
10/30/18

Cattle and Choice beef cutout values in October have been punctuated with a nice price rally similar to a year ago. Preliminary indicators of steer and heifer beef production point to a 1-2 percent increase from last year and higher values along with more supply make a good statement about demand. Meanwhile, beef trimmings prices are struggling to stay close to year ago values. This is especially true for cow beef trimmings, which are down 10% from a year ago, but also for 50% lean trim. This situation points towards more price competition for Choice beef from hamburger product in coming months.

WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

M-P-25
10/29/18



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