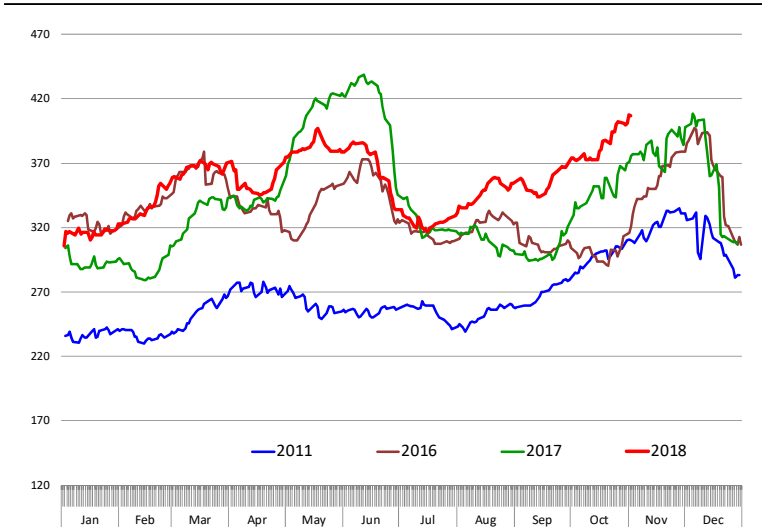


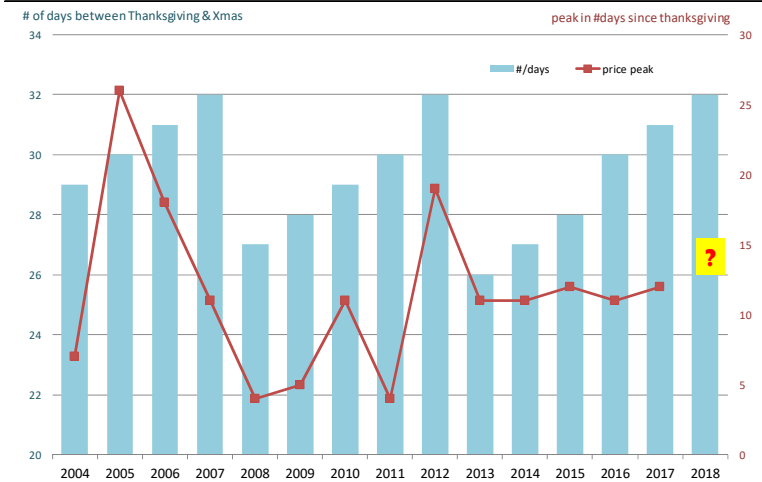
**The choice beef cutout has been running well above year ago levels for much of the fall and this is largely due to higher prices for steak cuts.** The choice cutout last night was quoted at \$218.59/cwt, \$8 higher than a year ago. Looking at the performance of the various primals, the rib primal was \$404.46/cwt last night, \$27.5/cwt higher than a year ago, one of the biggest y/y increases in terms of total dollars. The brisket primal was also up around \$27 compared to last year but the value of the brisket primal was \$182.99, so it has increased more in percentage terms (+17%) than the rib primal (+7%). The brisket is about 5% of the overall carcass while the rib primal is about 11%, so the improvement in rib primal values has a bigger impact on the overall cutout. The \$27 gain in the value of the rib primal adds about \$3 to the overall cutout. The loin primal was also up about \$10/cwt compared to a year ago, which means an additional \$2 gain for the overall cutout. **Of the \$8 gain in the value of the choice cutout, a little over \$5 came from the gain in the rib and loin and another \$1.4 came from the brisket.** End cuts, whether it is rounds or chucks, have contributed little to the overall gains in the choice cutout recently. Strong competition in the retail case and seasonally weaker ground beef demand have likely caused end cut values to remain near or even below year ago levels. Since September 1, the choice beef cutout has averaged \$207.4/cwt, about \$10 or 5% higher than a year ago. The gains from the rib/loin primals during this period have contributed, on average, \$8.8/cwt to the overall choice cutout.

As the top chart shows, there is a very strong seasonality in the pricing of beef ribs. **The combination of strong and growing foodservice demand and retail holiday features tend to bolster prices ahead of key holidays, especially Memorial Day/Fathers Day and Christmas.** In the last three years the rib primal has increased sharply going into Christmas and this year price increases have been more significant and have happened earlier than in the previous two years. While it is fair to expect the rib primal to decline once Christmas orders have been filled, the timing and the magnitude of the decline has tends to vary. The bottom chart may be a bit difficult to read but basically we were looking to see if there was a relationship between the number of days between Thanksgiving and Christmas and the peak in the price of the rib primal. The bars show the number of days between Thanksgiving and Christmas and you can read along the left axis. This year there will be 32 days following Thanksgiving (Nov 22) and Christmas (December 25). This the widest calendar gap between these two holidays, which provides retailers and other operators with more time to accumulate product. Normally we would expect the peak in the price of ribs to be later than when there are fewer days between Thanksgiving and Christmas. However, more recently this has not been the case. This is possibly due to end users putting more product in cold

Primal Rib



Number of Days Between Thanksgiving and Christmas vs. Peak in Rib Primal Price  
Analysis by Steiner Consulting and Published in the DailyLivestockReport.com



storage in order to hedge their holiday needs. Indeed, since 2013 the peak in the rib market has been around 11 to 12 days after Thanksgiving. If that holds again this year, it would put the peak of the rib market sometime around Dec 3 or Dec 4. The seasonality in the price of the loin primal is not as pronounced as ribs but it is a critical component considering that it accounts for over 20% of the overall carcass.

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