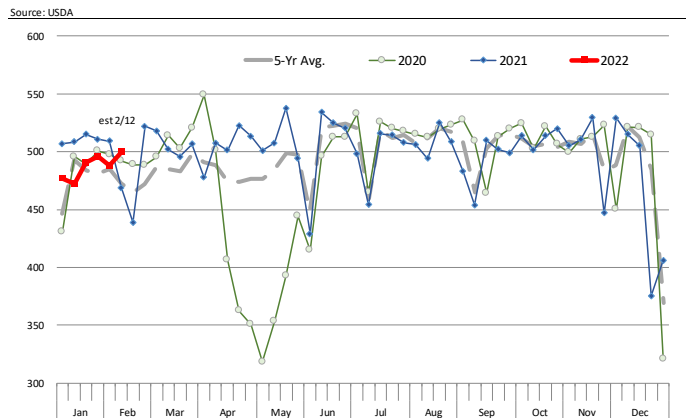


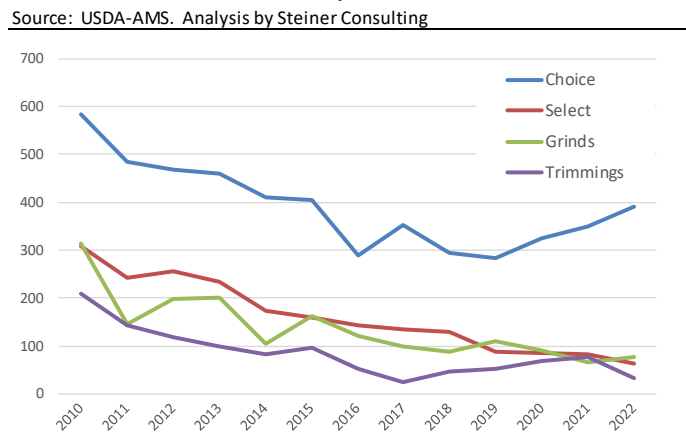
A combination of COVID related absenteeism at processing plants and weather events limited fed cattle slaughter in January and early February. Using daily USDA fed slaughter data we calculate that steer/heifer slaughter last month was down 3.1% compared to the previous year and 8.6% lower than in 2020. The number of slaughter days was the same compared to last year but there was one less day than in 2020, hence the big decline from 2020. **February fed cattle slaughter should be higher, barring any extreme weather events.** Comparisons to a year ago will be skewed because last year weather caused significant disruptions in Texas and surrounding areas. For instance, this week fed cattle slaughter has the potential to be as high as 500k head although 495k is more likely. If correct, this would put fed cattle slaughter 6.7% above year ago and slightly ahead of 2020 levels. **The increase in slaughter comes at a time when beef prices have escalated,** which usually means a slowdown in retail sales. The effect of this can be seen in the volume of choice beef sold in the spot market, and the downward pressure on choice beef prices. Last week (week #6) USDA reported that packers sold 392 loads of beef spot, up 12% from the comparable week in 2021 and 38% higher than in 2019. This was the highest spot volume for this week since 2015. With that said, demand is still far better than it was before the pandemic. The choice cutout last week was \$284/cwt compared to \$217/cwt for the comparable week in 2019, i.e. 38% more beef loads were traded spot and buyers still paid 30% more than in 2019.

The choice beef cutout has shown some weakness in recent days. Last night (2/7) the choice beef cutout was slightly under \$279/cwt, down from the \$284/cwt the previous week and down \$14.5/cwt or 5% since January 24. While all primals have lost ground during the last two weeks, the biggest decline has come in the value of the loin primal. During this period **the loin primal was down 7% and accounted for about 40% of the overall decline in the value of the cutout.** Brisket, round and rib primal was also down 5-7% during this period but the loin primal carries the most value and thus its decline has the bigger impact. At a time when choice beef volume is starting to increase at spot and prices are easing a bit lower, there is very little retail ready ground beef or beef trim available. This would be consistent with the theory that retailers and foodservice operators are going for value given rampant beef price inflation. The volume of ground beef loads sold spot last week was just 77 compared to 110 for the same week in 2019. As for beef trim, which includes fat trim, only 33 loads traded spot last week. **Fat trim prices continue to trade firm for this time of year despite high fed cattle carcass weights.** Strong ground beef prices are the reason. The value of 81CL coarse ground beef last night was \$318/cwt, no different than it was two weeks ago. This is 28% higher since the start of the year and 75% higher than a year ago.

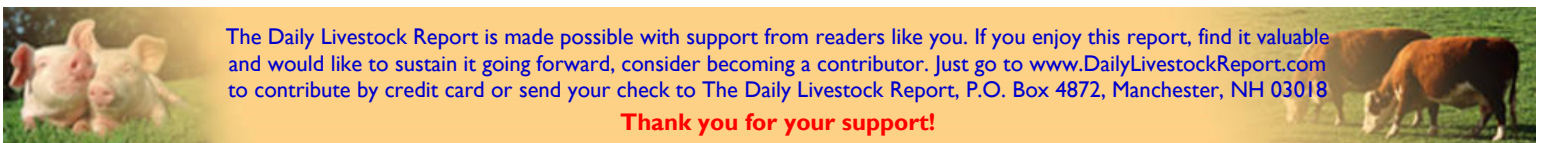
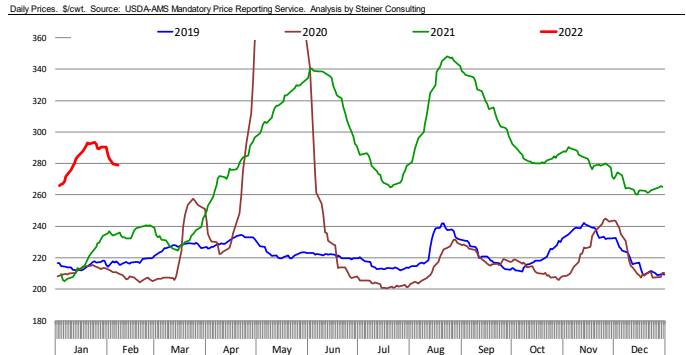
WEEKLY STEER AND HEIFER SLAUGHTER, '000 HEAD



Number of Beef Loads Sold in Spot Market for wk #6



CHOICE BEEF CUTOUT VALUE



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