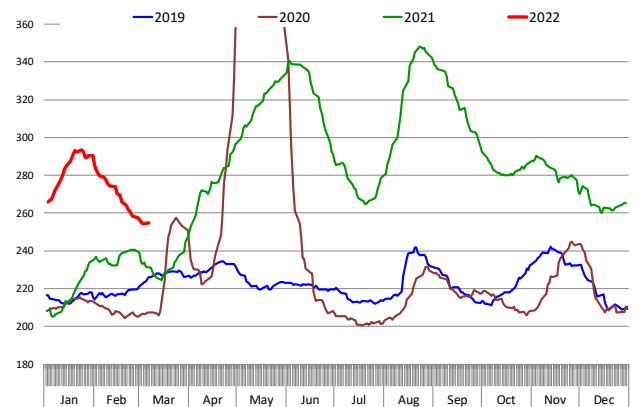


Wholesale beef market has been gripped by uncertainty as buyers struggle with one of the more unpredictable markets in recent history. **Fears of inflation and potential for lower beef supplies this spring and summer have market participants fretting about staying short bought.** Memories of last spring and summer are still fresh, at the time the choice beef cutout saw two big price spikes going into major holiday weekends. Retailers are already working on their Memorial Day merchandising plans and beef is always a major draw. The recent pullback in price has provided an opportunity to get some needs covered and USDA data published yesterday shows some buyers are not waiting around. In the last two weeks sales of beef for delivery in late March through early May were 28% higher than the comparable two weeks a year ago and the biggest for this time of year in recent memory (see middle chart). While forward sales tend to be volatile, it appears that retailers are looking to get needs covered for the normal demand that shows up with warming weather and the biggest grilling weekend. USDA also showed strong forward sales for delivery 61-90 days out, with over 400 loads sold last week, the biggest one week sale in about a year and a half. Clearly there is some steady demand that needs to be covered and some market participants are not waiting around and taking advantage of the price declines to shore up their forward position. Export buyers are doing the same. Data published last week showed strong sales once again to China. And the MPR report for export sales last week shows sales to non-NAFTA markets in the last two weeks were up 26% from a year ago.

On the other hand, **there is real concern about the impact that spike in fuel prices and broad based inflation will have on discretionary spending.** Restaurant business is always seen as vulnerable in this situation and recent sales data points to some weakness. Indeed, sales on a dollar basis were down on a m/m basis in three of the last four months and the decline was even more significant when adjusting for inflation. But was this due to the spike in COVID cases or did we start to see some of the pushback due to inflation? We will get the answer in the next couple of months but clearly this is a concern and foodservice operators will be careful in navigating. Distributors that work with smaller operators are more vulnerable as demand could quickly shift. This limits their ability to take positions in the market and increases their risk exposure. For now market participants are looking ahead at the normal improvement in demand. Feedlots have been constrained so far by skyrocketing feed and transportation costs. With plenty of market ready cattle, spot cattle values have once again been squeezed. Cow calf operators have been liquidating for the past two months as unrelenting drought forces their hand. While this keep the beef market well supplied in the near term, it will make for a bigger shortfall down the road. Unrelenting inflation of input costs and decimated herds all but assure that some of us will be eating less beef in the future.

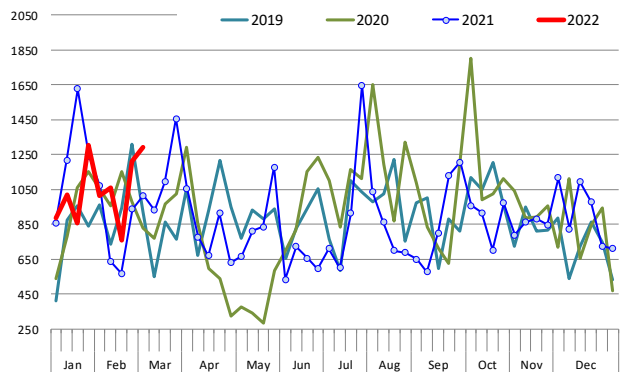
CHOICE BEEF CUTOUT VALUE

Daily Prices, \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service. Analysis by Steiner Consulting



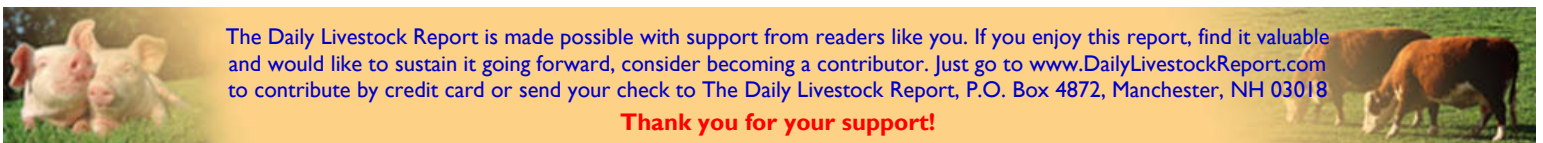
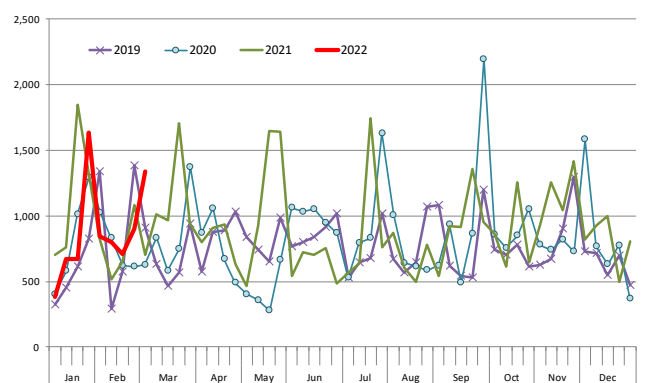
Beef Loads Sold For Delivery 22 - 60 Days

Data Source: USDA-AMS. Analysis by Steiner Consulting



of Loads Sold Markets outside North America. Weekly Data

Source: USDA Comprehensive Cutout Report. Analysis by Steiner Consulting



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