

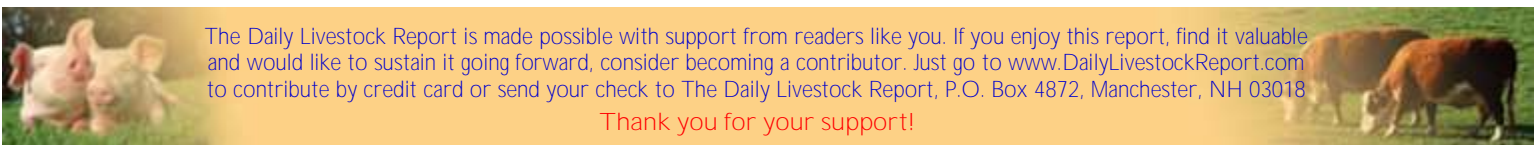
This year's Choice boxed beef cutout has had impressive gains over last year. The weekly average in January was half a percent below 2020 Choice cutout values. Since then, percentages have picked up and have been 2% -16% higher than 2020 on a weekly basis. The highest weeks occurred in the last two weeks of February—15% & 16% greater than the same week in 2020.

This week there has been slight weakening. Choice cutout values have declined for 5 straight days, and longer term have been softening for about 2 weeks. Winter storms likely effected some of the logistics of moving meat to markets, and explains the easing since then. The five year average implies that boxed beef cutout values should remain elevated compared to the rest of the year in the late March through July time-frame. This early increase in cutout values from February is opposite the dip in the five year average.

The number of Choice cut loads on the negotiated market in recent weeks has moved substantially lower. The January figures are similar to a year ago, but Choice loads have declined through February, with the lowest week coinciding with inclement weather. The last two weeks have rebounded in volumes from that low, but were still 21% and 15% below the same week in 2020. Loads available on the spot market may have a larger effect on cutout values in 2021 as the demand picture is murkily sorting through pandemic/recovery information. Grocery stores have hung onto high sales volume in January posting 10% higher sales volume, while food service continued to post year-over year declines. These

channels will go through adjustments as the year unfolds and may need the spot market to cover those transition times.

The availability of Choice beef too is slightly different. Actual slaughter data through February 27th, 2021 and last year yields about 60,000 head difference in the number of steers and heifers slaughtered. The percent that are grading Choice during that timeframe is slightly higher by about 0.2%. Higher dressed weights on fed cattle have increased the amount of meat available. This implies that there is a higher availability of Choice product in the first 2 months of 2021 compared to the prior year, even if those loads are not landing on the negotiated market.



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