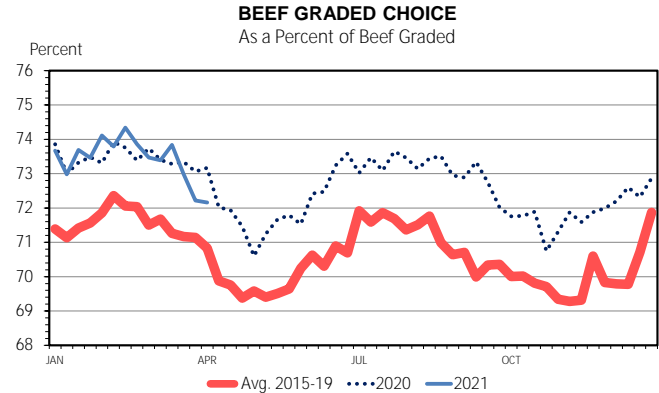


The Choice-Select spread has narrowed significantly in the last several weeks as both cutout values have risen rapidly higher. Last week Select negotiated cutout values averaged \$271.46 vs Choice's \$280.19. This hasn't been the narrowest week since the rally began about six weeks ago, but still below the normal seasonal pattern. The previous week, the weekly averages calculated to only \$5.91 per cwt difference.

On a daily basis, negotiated Choice cutout has increased every trading session since March 15th, except April 16th. The daily spread between Choice and Select has been anywhere from \$3.57 to \$11.64 per cwt. The Select cutout trailed about 10 trading days in this rally, increasing in every marketing session since March 24th, with the exception of moving lower last Friday (April 23). The spreads themselves are not historically narrow, in 2020 there were days when the spread was held to less than \$1. On a weekly basis, \$5.91 per cwt is the smallest spread since January of 2020.

What is more unusual is the timing. Choice-Select spread climbs in April, and is at its highest in the May/June timeframe. Even in 2020, this pattern held together relatively well (dotted blue line in the chart below). Weekly load counts are lower too. Compared to the five year average (2018-2014), March and April load counts for Select cuts have been below the five year averaged 25%-67% weekly. Choice cut loads have been down only 1%-19% weekly.

Carcasses grading Choice have been below a year ago for the last few weeks, favoring a larger percent of carcasses grading Prime. According to USDA AMS. Over the last six weeks, Choice carcasses have been 72.84% compared to 73.70% from the first week of January to the middle of March. Prime carcasses have been 11.86% of those presented for grading in the last six weeks, compared to 10.60% in the January to



Data Source: USDA-AMS
Livestock Marketing Information Center

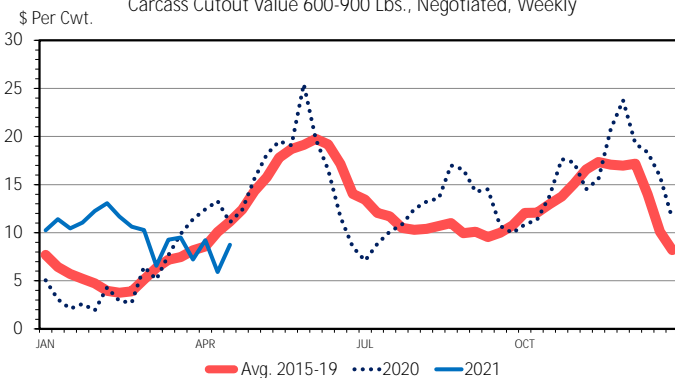
M-S-26
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the middle of March timeframe. Carcasses grading Select have also gone down in the last six weeks, 12.10% compared to 12.63% from the start of the year. Year-to-date the U.S. slaughtered about 20,500 thousand less steers and heifers through federally inspected plants at this time.

The combination of smaller fed cattle slaughter, different grading mix, and increased demand from food service is all factoring into the changes seen in the Choice-Select spread. Additionally, the negotiated market is a thin market (less than 8% of total load volume last week). Buyers appear to be chasing needs at the moment, but again negotiated volumes are still below average.

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Negotiated, Weekly

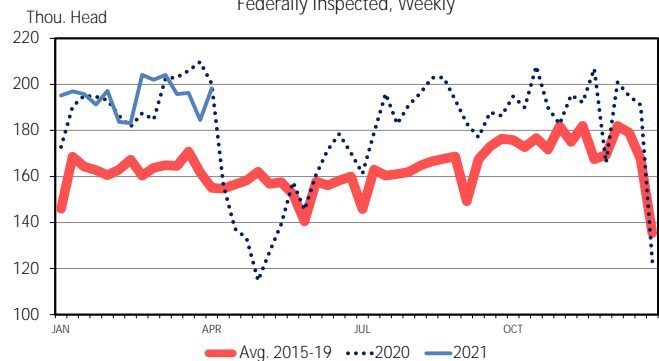


Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

C-P-68
04/20/21

HEIFER SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

C-S-13
04/23/21

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