

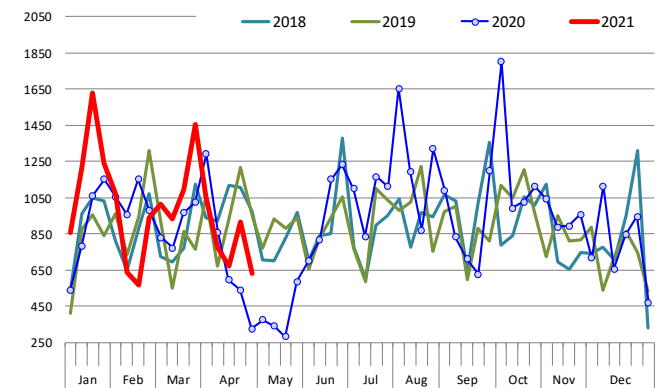
The choice boxed beef cutout last night closed a hair under \$300/cwt. This is \$75/cwt or 33% higher than on March 15 and second only to the record prices established last year. However, different from a year ago, **the recent spike in wholesale beef prices is not due to a drastic reduction in supply**. Last week fed cattle slaughter was 516k head compared to 353k head a year ago. Fed slaughter is still about 20k head smaller than the comparable week in 2019 but heavier fed cattle weights are helping offset some of the decline. Wholesale prices are up for all types of beef but demand appears to be more inelastic for high quality beef products and export items. If you are a steakhouse, you can't really replace that ribeye or filet mignon in the menu with a tenderized round steak. Mother's Day is around the corner and choice tenderloin is a really hot commodity. We remember last May when the collapse in food service demand had the local grocery store selling whole tenderloins at \$7.99 pound. Right now the price of tenderloins at wholesale is \$16 a pound, a new record. The value of the loin primal last night was \$451/cwt, up 49% since mid March while rib primal value during this period is up almost 39%.

The price gains for middle meats have accounted for about 2/3 of the overall increase in the value of the cutout. Restaurants are back in business and they are having to pay through the nose as spot supply remains limited. Retailers were quite aggressive in booking product for Pre-Memorial and Memorial Day needs back in March. Packers sold 5,556 loads of beef for delivery 22-60 days out during the five weeks ending April 2. This was 1,400 truckloads or 34% more than the same five week period in 2019 (last year was an anomaly) and 1,300 loads higher than in 2018. The combination of the marginal reduction in fed cattle slaughter, the higher share of product booked and extra efforts needed to refill the pipeline have contributed to rampant price inflation in the near term. However, current high prices will impact retail features come June and July. Forward beef sales for 22-day window are down about 900 loads in the last three weeks and we think they will be down again next week.

One comment that we hear often is that prices up sharply because people have a lot more money and are splurging on high value beef. But **the USDA retail feature report tells a more nuanced story**. Retailers are featuring more ground beef and at prices that are lower than they were both in 2020 and 2019. The weekly retail ground beef activity index (ground beef ads at retail stores surveyed) has steadily increased since early April. In the four weeks ending April 30, it averaged 232% over last year, 20% higher than in 2019 and 45% higher than the five year average. As the table above shows, prices for those ground beef features were substantially lower than last year but also lower than in 2019. Interestingly, there were more chuck and sirloin features at very competitive prices. If ground beef features are up, why is it that we have not seen a dramatic spike in the price of lean or fat trim or the wholesale of ground beef chubs? Cow slaughter is up and fed cattle weights are heavy, which may help on the supply side but it could also be that all those chicken fast food sales are cannibalizing the hamburger business. On the other hand, loin retail features for the week ending April 30 were almost 20% lower than in 2019 and the average price of those features was 24% higher.

Beef Loads Sold For Delivery 22 - 60 Days

Data Source: USDA-AMS. Analysis by Steiner Consulting



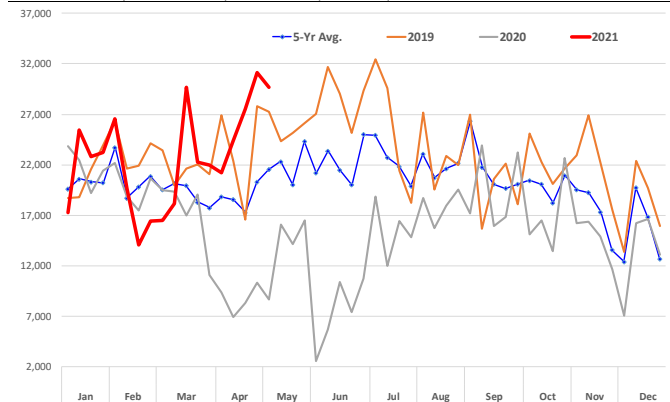
Retail Ground Beef Feature Price for Latest Reported Week vs. 2020 & 2019

Source: USDA-AMS. Analysis by Steiner Consulting

	5/3/2019		5/1/2020		4/30/2021		Y/Y % Feat. Ch.	Y/Y % Price Ch.
	store features	price in \$/lb.	store features	price in \$/lb.	store features	price in \$/lb.		
BEEF PATTIES	4,590	4.06	2,500	5.54	3,970	5.16	59%	-7%
GROUND BEEF 70-79%	1,040	2.71	590	2.61	2,890	2.49	390%	-5%
GROUND BEEF 80-89%	11,190	3.59	2,020	3.74	4,210	3.53	108%	-6%
GROUND BEEF 90% OR MORE	5,510	5.44	1,370	4.95	5,210	4.75	280%	-4%
GROUND CHUCK	2,820	3.29	440	4.00	6,880	1.99	1464%	-50%
GROUND ROUND	650	4.29	1,570	4.99				
GROUND SIRLOIN	1,430	5.03	170	5.13	5,700	2.83	3253%	-45%
Total Features and Wt. Avg. Price	27,230	4.07	8,660	4.64	28,860	3.36	233%	-27%

Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Apr 30, 2021



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