



Week Ending 05/22/2020

- Harvest levels are starting to head in the right direction with 555,000 slaughtered this week. The Holiday week will cause a hiccup in increased numbers, but predictions are for levels to get close to 600,000 after Memorial Day. Seasonally, harvest levels are in the mid 600,000 this time of year
- The cutout started its correction lower with large declines on both the choice and select cutout. The choice cut out lost 53.64 closing at 405.40, while the select lost 53.20 closing at 386.33. We still have a long way to go to get back in line with seasonal numbers. Last year, same week, the choice cut out was 220.64 and the select was 207.08
- Choice plus Prime grading accounted for 83.84% of the grade for the week ending 05/15/20. This is an increase of 1.04% from last week and an increase of 5.02% over last year. For week ending 05/08/20 Grading was recorded as follows. Prime 12.18%, choice 71.66%, select 12.59% and other 3.57%. Prime and Choice grading is expected to continue to be well ahead of last year's numbers due to the backlog of Cattle on Feed. Heavier cattle fed grain longer will keep the grade up.
- Carcass weights for the week ending May 22 were estimated at 816lbs. which is 2lbs heavier than last week and 25bs. heavier than last year. Beef production was estimated at 451.4 million lbs. an increase of 46.2 million lbs. over last week. **YOY showed a decrease of 59.1 million pounds.**
- June futures opened the week at 98.73 but fell \$1 by weeks end based on news of a large cattle supply available due to reduced kills. Cash trades were anywhere between 110.00 and 120.00 with the majority taking place at the higher end. Once again packers were disconnected from the market and paying higher for cattle to help support feeders and from fear of lawsuits due to the record high margins, they are pulling in. Cash prices are expected to head toward 110.00 through June and closer to 100.00 as slaughter increases and beef prices decline.
- **Chucks-** Chuck cuts have started declining rapidly, with triple digit losses seen on clods and chuck tenders while chuck rolls and teres majors saw close to \$1/lb. declines. Even with these substantial losses, chuck cuts are still double the levels of last year. Retail features have slowed down tremendously on these cuts as retailers are working on very tight margins and trying not to pass the entire increase to the customer. Pricing is not expected to get down to last year's levels until the end of summer.



- **Rounds** – Like chuck cuts, rounds took a dive also. \$1.50 and \$1.60 lb. losses occurred on eye rounds and bottom round flats, while top rounds lost \$1.00 plus or minus a few cents. Retailers will have to raise pricing on round cuts also to avoid being too far underwater on retail activity even at these lower prices. Like chuck cuts, rounds are double the cost of last year. As slaughter numbers increase pricing is expected to continue to head lower, but it will most likely take a couple months before we get close to last year's numbers.
- **Ribs**- Ribs were a mixed bag with bone in and boneless light ribs showing slight decreases while hvy ribeyes showed a slight increase and continued to break records. Choice hvy lipons ended the week at \$11.59 FOB which is just crazy. Forward sales on Bone in ribs has been better than boneless, mostly because bone in is more of a retail item while bnls are foodservice. Prices are expected to head lower, but at a slower pace than end cuts and grinds. As we hit peak grilling season, there will be some underlying support for rib cuts
- **Loins**- Choice 0x1 strips continued to trade higher but the rest of the loin complex saw moderate declines. We should see a general theme of price corrections lower on loin cuts also, but like ribs it will be much slower than end cuts and grinds. Even though slaughter levels are increasing, they are still well off last year's numbers so supply during peak grilling season will help support pricing. Add in some returning restaurant business and this puts a bit of increased pressure on supply
- **Thins**- Flap meat, briskets and fat on skirts started their correction lower, but pld outer skirts managed to trade higher on barely any volume. Seasonally these cuts move lower after Memorial Day weekend and are projected to do so again this year. The pace of the decline will have a lot to do with how fast packers can get production numbers back up again.

Grinds/Trim – Domestic 50's and Domestic 90's were on opposite paths this week. While 90's reached record levels trading above \$3.00/lb., 50's has fallen by more than half closing the week at \$1.55 FOB. 50's will be volatile with some rebound in pricing sure to be seen, but the overall direction should be lower as we move into the summer. After reaching record highs, grinds should see some price correction lower also. A close eye needs to be kept on chuck and round cuts though, which will play a role in where grind prices settle.