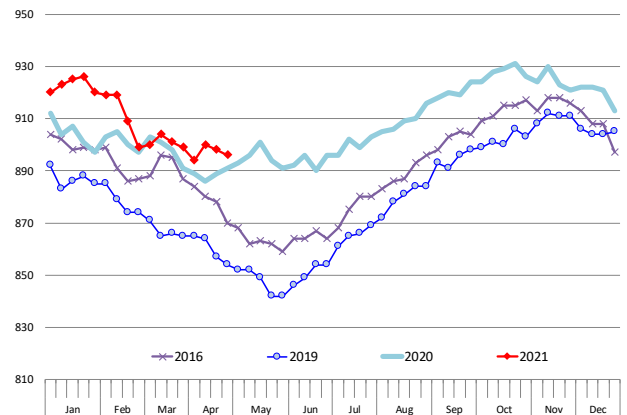


Fed cattle have been front loaded for some time, resulting in more days on feed, lower overall productivity and higher costs. A survey of Kansas feedlots from Kansas State University showed that March feedlot closeouts spent an average 196 days on feed compared to 178 days in March of 2020 and 170.6 days on average during the 2015-19 period. The average daily gain of steer closeouts in the surveyed Kansas feedlots was just 3.34 pounds per day compared to 3.6 pounds a year ago and a five year average of 3.44 pounds. **The larger supply of finished cattle and rising feed costs have made for a terrible combination, pressuring fed cattle values in the near term.** It has also contributed to keeping fed cattle weights well above year ago and long run averages. After the winter storms in February it appeared that **fed cattle weights** were poised to pull back sharply. Steer weights declined 20 pounds in February, but they have stalled since then and **at the end of April they were only 4 pounds lower than in early March, or just 0.4% lower.** In 2019, fed cattle weights during this period declined 17 pounds or 2% and in 2018 they were down 31 pounds or 3.5%. Higher fed cattle weights have helped bolster the supply of 50CL boneless beef available and kept prices in check so far. Prices for fat trim climbed as high as \$100/cwt but have pulled back to the low 80s more recently. Beef fat trim is currently trading under the price of 42CL pork even as pork has a higher fat content.

More days on feed have resulted in more prime and choice beef coming to market than in previous years. For the most current reported week (April 24), 11.6% of the cattle coming to slaughter graded prime, a touch lower than the 12.5% share in early April but still near the high end of prime grading records. Seasonally prime grading declines in May, June and July, corresponding to the overall decline in fed cattle weights. Last year prime grading far outperformed normal trends as cattle were backed up in feedlots, resulting in more days on feed. **High feed costs and weak pricing have changed the calculus for feedlots.** In the near term feedlots may focus on marketing cattle more aggressively in order to become more current. One would expect this to result in fewer prime grading cattle in late June, July and August and possibly a reduction in prime cattle for the rest of the year. This is important for high end restaurants that are looking to return to full capacity. Prime beef price spread to choice may widen in the fall if restaurant business returns to normal. Choice grading has followed a more normal path until now. For the latest reported week, about 72% of cattle graded choice compared to 71.5% grading choice during the same week last year and an average of 70.12% in the last five years. As with prime beef, choice grading was far higher last summer than “normal” levels. High feed costs and more current feedlots may see choice grading return to the five year average benchmark. In 2019 choice grading suffered because of issues with calves the previous winter and so far we do not envision a similar situation. However, **it appears a fair assumption that choice beef will not be as available as it was in Q1.**

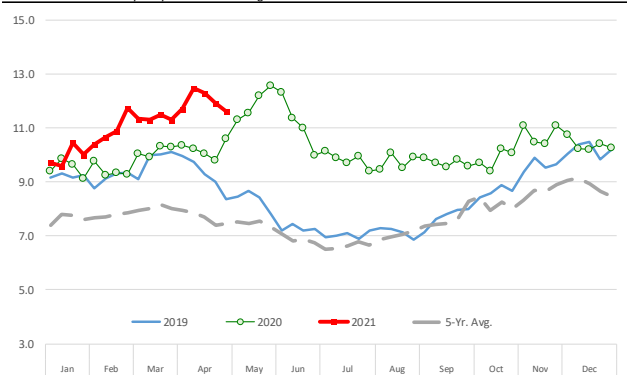
Fed Steer Dressed Carcass Weights - Weekly. Y/Y

Source: USDA-AMS based on NASS Data. Analysis by Steiner Consulting



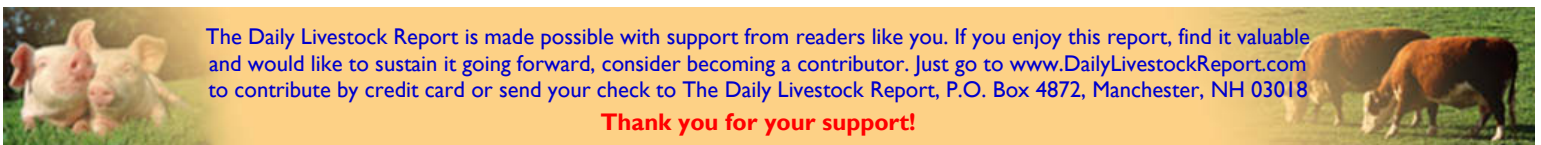
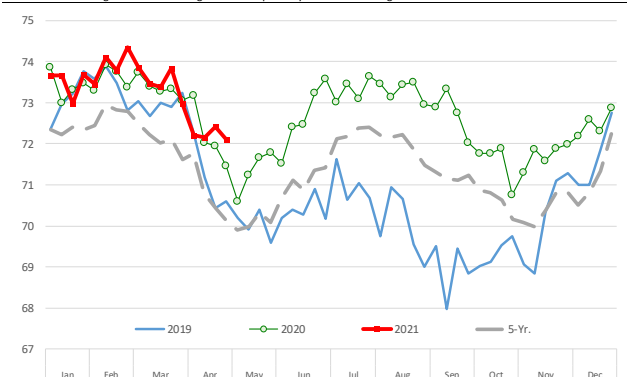
% of Prime Cattle Coming to Slaughter Each Week

Source: USDA-AMS. Analysis by Steiner Consulting



% of Choice Cattle Coming to Slaughter Each Week

Data Source: USDA Agricultural Marketing Service. Prepared by: Steiner Consulting.



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