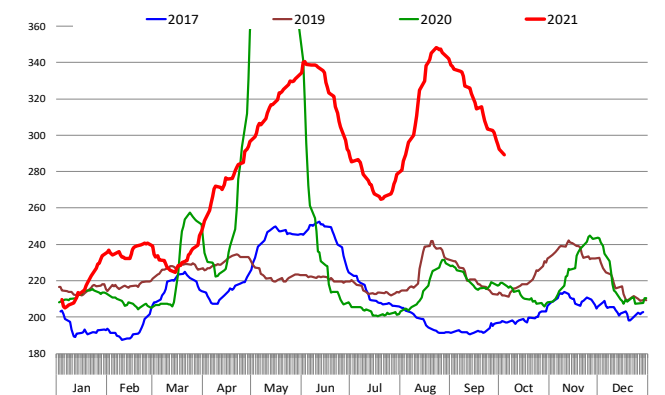


In the last few issues of this report we have highlighted the cumulative impact of some negative demand trends, whether it is the decline in consumer sentiment (9/30), the lower reading of the Restaurant Performance Index (10/1), or the lower retail featuring rate for beef and pork (10/4). Wholesale beef prices may have started to reflect the effect of these trends. But we hasten to note that, even as wholesale beef prices have declined in the last few weeks, they remain significantly higher than in previous years. Indeed, **for now we would argue that seasonality rather than a shift in demand is responsible for the pullback in wholesale beef prices.** Last night, USDA quoted the value of the choice beef cutout at \$289.18/cwt, \$3.18/cwt lower than the previous day and now \$58.85/cwt or 17.4% lower than the pre-Labor Day market peak on August 23.

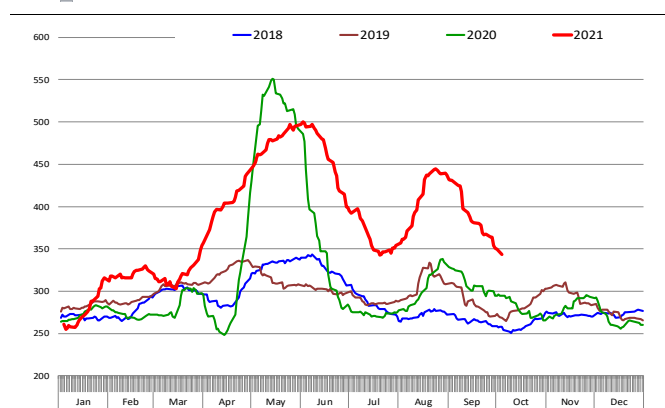
As we look at the factors influencing the decline in beef prices since August, the decline in the value of middle meats has had the biggest impact. **Half of the decline in the value of the choice beef cutout since August has been due to a decline in the value of middle meats.** The rib primal during this period has declined \$72.3/cwt or 12.1%, with much of this decline taking place in the last few days. The loin primal has declined \$100.8/cwt or 22.7% during this period, contributing more than one third of the overall drop in wholesale beef prices. It is not unusual for loin primal values to decline after Labor Day and this year has been no different. For now the loin primal is largely tracking with 2020 and 2019, albeit at a higher price point. **There is a fair amount of debate about the value of the choice cutout in late October and November.** Has the spike in retail and foodservice prices significantly impacted the quantity demanded, causing spot supplies to start to back up and forcing packers to discount? So far the evidence for this is quite modest. It appears that packers indeed have more product available to sell spot, hence the softer wholesale trend. USDA reported that packers sold 400 loads of choice beef in the spot market last week. This compares to 393 last year and 288 in 2019, and **it was the highest number of spot loads for this time of year since 2015.** The spot supply of ground beef and trim remains limited, suggesting that end users may have shifted to less expensive products after Labor Day. **But the increase in spot availability may prove to be limited.** USDA reported that during the four August weeks, packers sold an average of 724 loads/week for delivery 22-60 days out. This was far lower than the 1120 loads/week sold during this period in 2020 and 993 loads/week in August 2019. Clearly retailers slowed down forward buying in August, which means fewer features in September and October and more product available in the spot market. That's what we are seeing now. But forward buying has picked up in the last few weeks. In the four weeks ending October 1, beef sales for delivery 22-60 days out averaged 1025 loads/week, far higher than what we saw in August. This volume was under the 1085 ld/wk average last year but far higher than in 2018 or 2019. If there is one thing we have seen this year is that production bottlenecks have served to amplify the effect of seasonal demand. This was the case in May and then in August. It would not be unreasonable to expect the roller coaster to continue into the year-end holidays.

CHOICE BEEF CUTOUT VALUE

Daily Prices, \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service

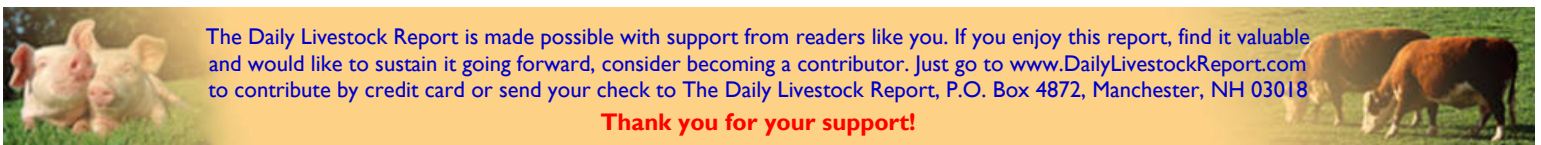
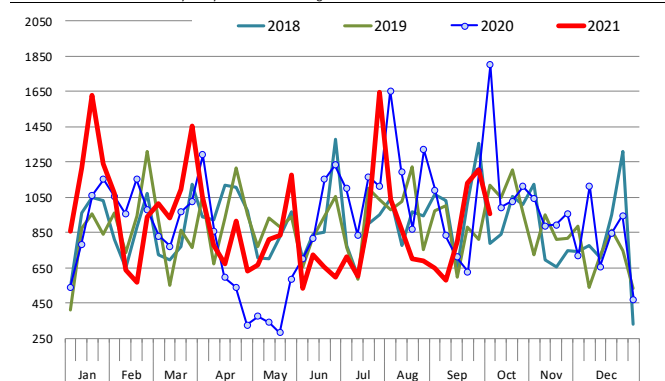


Primal Loin



Beef Loads Sold For Delivery 22 - 60 Days

Data Source: USDA-AMS. Analysis by Steiner Consulting



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