

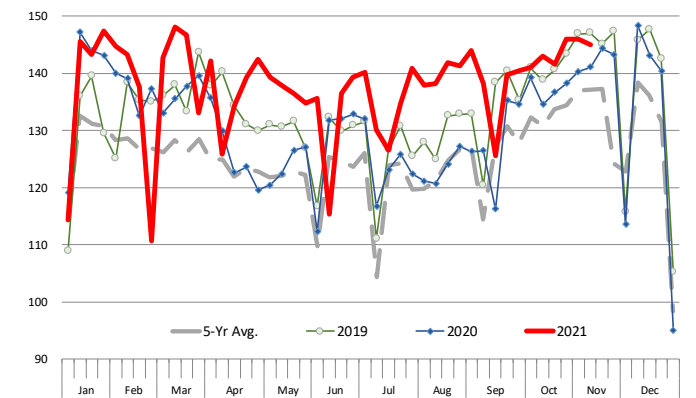
Cow slaughter was far above year ago in the spring and summer and that trend has continued in the fall. Last week cow/bull slaughter was estimated at 146k head, 4.1% higher than a year ago and only slightly under 2019 levels. We think this week cow/bull slaughter will be around 145k head, 2.8% higher than the previous year. Since April, weekly bull and cow slaughter has averaged 7.7% above year ago and also 3.9% above 2019. **The ability of cow processors to slaughter more cows this year contrasts with what we have seen at fed cattle plants.** Steer and heifer slaughter since April has averaged 2% below 2019 levels (comparisons to 2020 are skewed by COVID). Fed cattle slaughter has declined even as feedlot supplies have been more plentiful than in 2019, especially the supply of long fed cattle. One of our readers asked **why have cow slaughter plants managed to process cattle at a faster pace than plants processing fed cattle.** As a corollary of this question, one would then speculate that fed cattle plants are looking to keep the fed cattle market depressed and hold on to the outside margins enjoyed so far this year. We have a somewhat different opinion. **We think that fed cattle plants are far more susceptible to the tight labor market that cow processing plants.** But at the same time, we welcome any reader comments that would argue the opposite. Here's our view.

Fed cattle plants tend to be far larger than cow processing plants. Over the years, they have developed very efficient systems to convert a steer or heifer carcass into well trimmed subprimals. **By virtue of their size (multiple shifts, Saturday work and overall complexity) fed cattle plants are more vulnerable to the tight labor market.** These plants are far more difficult to run when labor is scarce, and when the plant managers do not know how many people will show up for work in a given day. It is difficult to schedule cattle for slaughter when you do not have a reliable work schedule plan. Also, some of these plants we think need to run at far higher processing capacity than some of the smaller, single shift cow processing plants. We can argue whether it is good or bad that processing plants have evolved to this level of processing efficiency but the current state of affairs developed over decades. It is also important to recognize that **far more muscle cuts are harvested in a fed cattle slaughter plant than in a cow slaughter plant.**

Normally, a cow slaughter plant will harvest a few high value cuts (ribeyes, round and chuck cuts, some loin cuts) and the rest becomes grinding beef for hamburger. You need less labor to accomplish this than when running a fed cattle plant. More than 3/4 of the beef sold at retail these days is case ready product. What this means is that the grocery store is not bringing in a side of beef and then butchering it in the store. The beef packer harvests, bones and trims specific cuts and all the grocery store needs to do is put it in a tray. **Over the years, grocery stores have outsourced their butchering function to the packer.** And when the packer faces labor shortages and can bone/trim only a certain amount of product, a bidding war takes place. That's why the beef cutout spiked for Memorial Day and Labor Day (see chart) far more than the cow cutout did. Cow plants are not immune to the labor shortage, however. The value of 100VL beef (highly trimmed cow cuts) has increased dramatically vs. regular grinding beef as labor needed to trim those cuts is tight as demand for extra lean cuts continues to grow (beef jerky is one of the most popular snacks currently).

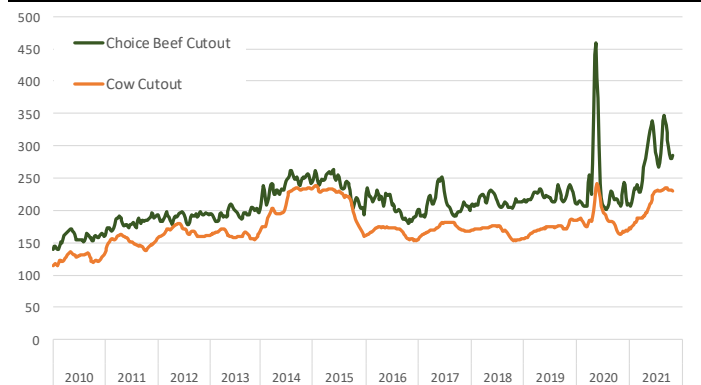
## WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



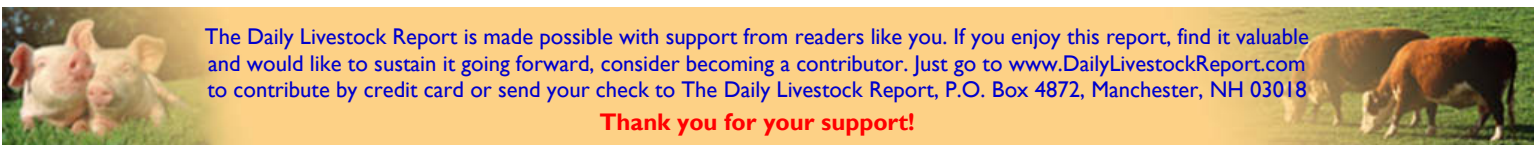
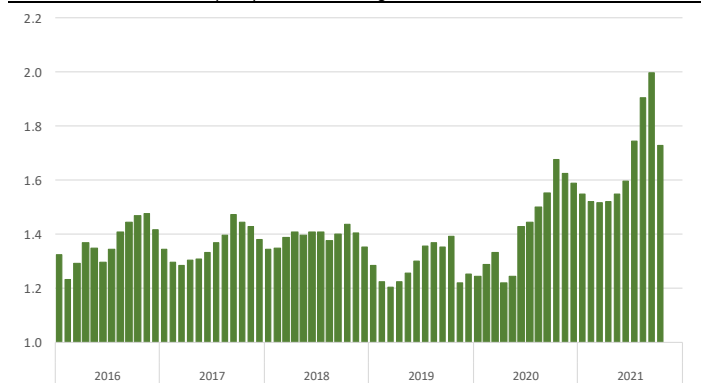
## Choice Beef Cutout vs. Cow Cutout. \$/cwt

Data source: USDA-AMS. Analysis by Steiner Consulting



## Ratio of 100VL Inside Round Price vs. Price of 90CL Boneless Beef. Monthly

Data source: USDA-AMS. Analysis by Steiner Consulting



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