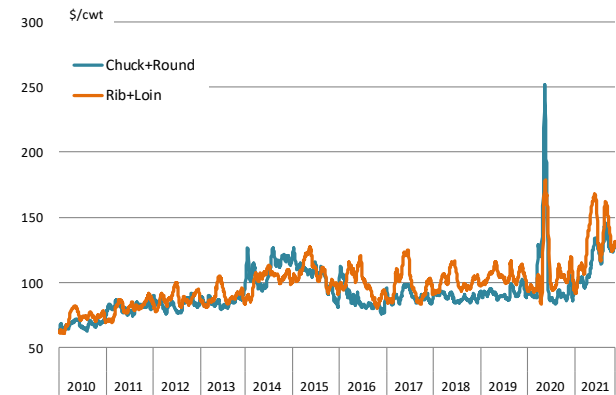


An interesting article in the Wall Street Journal made the point that consumers have started to change their consumption patterns, **shifting to less expensive meat protein options as they struggle with extreme price inflation**. High value beef cuts are seen as especially vulnerable to this shift, as prices have appreciated dramatically and they are at all time highs, even when adjusted for inflation. Retail inflation numbers for October will come out this week and this will likely become a common topic in the popular press. In recent years, **middle meats (steak cuts) have made a larger contribution to the value of the choice beef cutout than end cuts** (rounds, chucks). Between 2016 and 2019, rib and loin primal contributed an average of \$101/cwt to the overall value of the choice beef cutout compared to an average \$89/cwt for the combined chuck and round primals. Another way to express this is that loin/rib primals accounted for 47% of the cutout value while chuck/round primals accounted for 42% of the value. Increasing beef supplies and strong foodservice demand growth were key reasons for the price gains of steak cuts. The situation changed briefly in the spring of 2020 as COVID sharply curtailed foodservice demand. But that change in demand proved to be short lived. The reopening of the economy and recovery of restaurant business caused the value of high value beef to skyrocket. Year to date, the loin and rib primals have contributed an average \$133/cwt or 47% to the value of the cutout compared to \$117/cwt or 42% contribution from end cuts. The numbers so far this year are in line with pre-COVID trends.

The shift towards less expensive cuts has been more apparent this fall as retailers are looking to feature less expensive beef cuts. Normally demand for end cuts improves in late October and November with the arrival of cold weather and it is not a surprise that prices for round and chuck cuts have been trending higher. However, the spread between current prices and history is far wider than anyone could have expected. The spread is especially wide for those items where there is strong demand from both retail and foodservice. The item that will be especially important to watch is ground beef. For some retail customers, ground beef is the only beef item that they can afford. This was the case before the start of the pandemic and it is especially the case today. By some estimates more than 50% of the beef produced in the US is consumed in ground form. So far ground beef price inflation at the wholesale level has seen less price inflation than overall beef prices. For instance, the value of the choice beef cutout for 2021 is currently projected to be 29% higher than the five year average while the average price of 73CL coarse ground is expected to be up just 1.5% and the average price of 81CL coarse ground has been slightly under the five year average. As consumers shift to less expensive beef, we think prices for coarse ground in 2022 will be about 20-25% higher than the five year average compared to cutout values that are expected to be up about 33%.

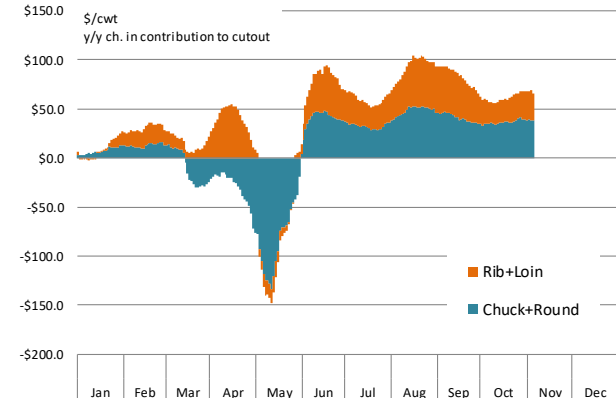
\$ Contribution to the Choice Cutout from End Cuts and Middle Meats

Daily Cutout Value Calculation. Source: USDA-AMS. Analysis by Steiner Consulting



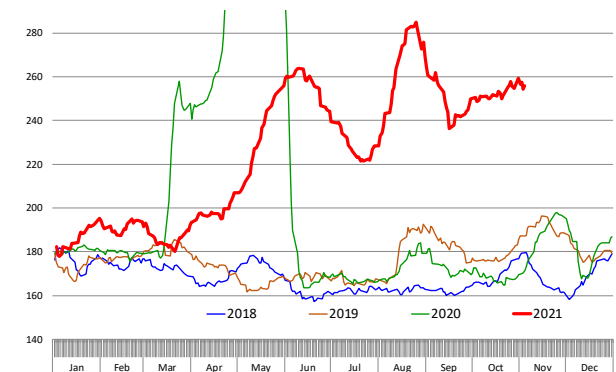
Y/Y Change in Carcass Contribution from Main Primals in 2021

Daily Primal Value Calculations. Source: USDA-AMS. Analysis by Steiner Consulting



Primal Round

Daily Prices. Source: USDA-AMS. Analysis by Steiner Consulting



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **11/6/2021**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change	
		6-Nov-21	30-Oct-21		7-Nov-20				
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,999	2,020	-1.03%	2,048	-2.40%	85,616	-0.4%	
C	FI Slaughter	Thou. Head	650	668	-2.69%	652	-0.28%	28,254	3.1%
T	FI Cow Slaughter **	Thou. Head	137	131	4.89%	127	7.77%	5,461	5.9%
T	Avg. Dressed Weight	Lbs.	833	833	0.00%	841	-0.95%	827	-0.4%
T	Beef Production	Million Lbs.	540.7	555.6	-2.68%	547.2	-1.19%	23,368	2.7%
L	Live Fed Steer Price	\$ per cwt	128.12	126.29	1.45%	106.33	20.49%		
E	Dressed Fed Steer Price	\$ per cwt	202.05	199.89	1.08%	165.35	22.20%		
&	Oklahoma Steer (600-700 lbs)	\$ per cwt	156.96	156.87	0.06%	139.63	12.42%		
&	Choice Beef Cutout	\$ per cwt	288.64	284.41	1.49%	211.03	36.78%		
&	Hide/Offal	\$ per cwt, live wt	16.33	16.37	-0.24%	8.35	95.57%		
B	Rib Primal, Choice	\$ per cwt	496.55	490.20	1.30%	392.02	26.66%		
E	Round Primal, Choice	\$ per cwt	256.71	255.92	0.31%	173.47	47.99%		
E	Chuck Primal, Choice	\$ per cwt	236.40	232.34	1.75%	171.12	38.15%		
F	Trimnings, 50%	\$ per cwt	90.93	87.77	3.60%	38.79	134.42%		
F	Trimnings, 90%	\$ per cwt	276.17	275.80	0.13%	197.66	39.72%		
H	FI Slaughter	Thou. Head	2,611	2,551	2.35%	2,707	-3.56%	108,800	-2.0%
H	FI Sow Slaughter **	Thou. Head	60.4	56.9	6.26%	63.1	-4.23%	2,591	-5.4%
H	Avg. Dressed Weight	Lbs.	214.0	213.0	0.47%	218.0	-1.83%	214	-0.2%
O	Pork Production	Million Lbs.	558.6	543.8	2.72%	588	-5.00%	23,313	-2.2%
G	Iowa-S. Minn. Base	Wtd. Avg.	60.63	62.89	-3.59%	60.69	-0.10%		
S	Natl. Base Carcass Price	Wtd. Avg.	77.90	78.88	-1.24%	69.11	12.72%		
S	Natl. Net Carcass Price	Wtd. Avg.	79.69	80.66	-1.20%	70.84	12.49%		
S	Natl. Early Wean Feeder	Wtd. Avg.	50.24	49.19	2.13%	38.37	30.94%		
S	Pork Cutout	205 Lbs.	96.22	94.58	1.73%	84.00	14.55%		
S	Ham Primal	\$ per cwt	72.58	70.62	2.78%	89.15	-18.59%		
S	Loin Primal	\$ per cwt	96.52	97.40	-0.90%	74.96	28.76%		
S	Belly Primal	\$ per cwt	159.12	156.14	1.91%	112.40	41.57%		
S	Trimnings, 72%, Fresh	\$ per cwt	87.68	83.14	5.46%	87.33	0.40%		
S	Hog By-Product Value	\$ per cwt, live wt	5.15	5.16	-0.19%	4.36	18.12%		
C	Young Chicken Slaughter *	Million Head	164.2	167.2	-1.80%	166.4	-1.33%	7,156	-1.3%
H	Avg. Weight (RTC)	Lbs.	4.83	4.86	-0.63%	4.80	0.63%	6.37	0.9%
I	Young Chicken Production (RTC)	Million Lbs.	793.8	813.4	-2.42%	799.4	-0.70%	34,640	-0.4%
C	Eggs Set (19-state)	Million	233.6	228.0	2.42%	224.0	4.27%	10,422	2.4%
K	Chicks Placed (19-state)	Million Head	178.0	180.9	-1.60%	170.8	4.19%	8,173	0.3%
E	National Composite Whole Bird	Composite	102.02	100.98	1.03%	70.01	45.72%		
E	Northeast Breast, B/S	\$/cwt	179.82	179.12	0.39%	84.72	112.25%		
E	Northeast Leg Quarters	\$/cwt	39.24	38.48	1.98%	24.69	58.93%		
T	Total Turkey Slaughter *	Million Head	4.602	4.481	2.70%	4.715	-2.40%	167.182	-5.9%
U	Avg. Weight (RTC)	Lbs.	23.07	23.94	-3.61%	24.12	-4.35%	32.01	0.2%
R	Turkey Production (RTC)	Million Lbs.	106.2	107.3	-1.01%	113.7	-6.65%	4,296	-5.8%
K	National Hen (8-12 lb)	8-16 Lbs.	141.00	132.97	6.04%	115.00	22.61%		
G	Corn, Omaha	\$ per Bushel	5.44	5.55	-1.98%	3.98	36.68%		
R	Soybeans, Cntrl IL	\$ per Bushel	12.28	12.42	-1.13%	11.06	11.03%		
A	Soybn Meal 48%, Cntrl IL	\$ per Bushel	344.20	331.40	3.86%	385.80	-10.78%		
I	Distillers Grain, IL	\$ per Bushel	187.50	190.00	-1.32%	185.00	1.35%		

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

*** Please note that the number of business days is different from one year to the next, which affects the YTD calculation

