Daily Livestock Report

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Monday's DLR touched on ground beef prices, but they are worth exploring more thoroughly. Last year, ground beef prices escalated quickly based on the supply constraints at the packing level. Ground beef also experienced a great deal of movement through retailers, as an at-home cooking focus helped support prices most of the summer.

Memorial Day is just around the corner, and typically kicks off grilling season. Ground beef is a key element to that seasonal shift and might explain the run up in 90% lean beef prices. The decline in 50% lean value is more puzzling. Several media articles have covered the supply constraint still happening on the packing side. Fed cattle slaughter is above a year ago; up about 7% year to date, which could be applying some pressure to 50% lean trim prices. However, we would expect year ago comparisons to be higher than last year, and after the dramatic drop in slaughter a year ago, 7% increase seems workable. Cow slaughter, too, is above a year ago by almost 4% but that increase in supply does not appear to be weighing on 90% trim. The shorter term supply implication could be the large volume of steer/heifer production that happened in April (up 34% from a year ago). This likely created a vast amount of trim supply ahead of the full widespread re-opening of the economy. Also, as a fresh product, perishability is a factor. Beef production from cow/bull slaughter during that month was up less so, about 1.8%.

Another consideration is that steer and heifer beef supplements cow-bull beef production in ground beef. Chucks and rounds (and sirloin) are sometimes ground for product. Chuck rolls (1x1, neck off) have averaged $352 per cwt through the first 20 weeks of 2021 compared to $346 last year which included a few weeks over $500 per cwt. Rounds were above a year ago for most of the first quarter. These products currently are likely at too high a value to be ground.

The cold storage report showed larger volumes pulled out of cold storage last month. This may have been lean product to mix with 50% lean, particularly if the U.S. is still seeing a decline in imported beef product. March is the latest import data from USDA FAS, which showed beef imports were down 9% from last year. The U.S. receives lean product from Australia and New Zealand, those countries shipped 48% and 12% less product than in March 2020. Given the complimentary nature of lean beef trimmings and 50% trimmings, a large part of the decline seen on the 50% lean appears to be supply related. Less imported lean product is likely dampening 50% lean pricing in the short term.

Across other ground beef blends tracked by USDA AMS: 73%, 75%, 81%, 85%, 90% and 93% have all seen price increases in the last two weeks. It appears 50% fresh beef trimmings is rather alone in the most recent two week price movements. Across all the fed source grinds, all are still below a year ago, but the leaner products are trending less so.