

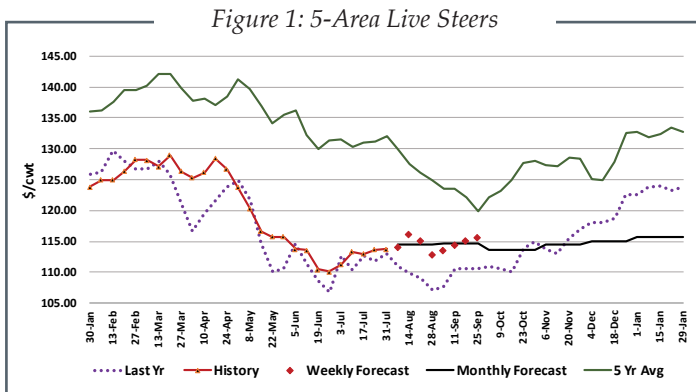


sign that the domestic economy is slipping and that would not bode well for beef demand.

The international picture is a bit bleaker. Economic slowdowns have been noted in Asia and Europe. Asia is the biggest concern for the beef market since Japan and S. Korea are big buyers of US beef. USDA just released the official export totals for June and they were close to even with June, 2018. However, beef prices were declining in July and that may have spurred enough international interest to lift July exports slightly above last year. Beyond that however, it is our sense that beef exports will not be able to live up to the lofty

numbers posted in the second half of 2018, and we will once again see exports trailing last year. Our current forecast has 2019 beef exports down 3% and the risk is that it could be lower than that if the global economic slowdown worsens.

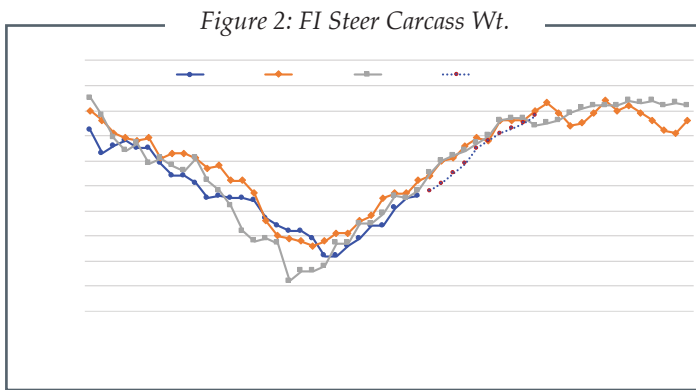
**2019 beef exports are forecast to be down 3% or more**



Beef demand continues to benefit from a volatile hog and pork market that has retailers fearful of planning for too many pork features this fall. We expect pork prices this fall to be near what the futures market is currently implying and normally that would be a negative for beef demand. However, cheap pork might not matter as much this fall because the specter of ASF in China causing massive US pork exports is likely to keep retailers averse to pork features for at least a few more months.

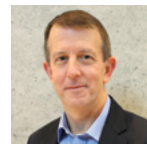
**SUMMARY**

At present, the supply side of the cattle market does not appear burdensome at all, mostly due to light carcass weights as a result of the tough winter and the persistent pull on the cattle supply by packers eager to capture large premiums. That has left feedyards quite current and they should be able to prevent cash cattle prices from slipping in August and may allow for some modest price advances. Domestic beef demand looks good at the moment, particularly for the middle meats, but softness in the US economy over the next few months remains a risk. International demand is holding together, but there is even more risk there because we are already seeing evidence of a macroeconomic slowdown in Asia and Europe. Beef buyers are advised to remain close bought in August and into September given our expectation that beef prices will continue to slowly work lower during that period (see Table 1).



**Table 1: JSF Cattle and Beef Price Forecasts**

|                       | 14-Aug | 21-Aug | 28-Aug | 4-Sep | 11-Sep | 18-Sep |
|-----------------------|--------|--------|--------|-------|--------|--------|
| Choice Cutout         | 212.2  | 210.0  | 208.2  | 207.7 | 207.7  | 207.3  |
| Select Cutout         | 189.6  | 188.0  | 186.9  | 188.3 | 189.1  | 188.5  |
| Choice Rib Primal     | 362.2  | 358.5  | 354.1  | 349.4 | 346.6  | 345.5  |
| Choice Chuck Primal   | 170.3  | 169.0  | 170.0  | 172.2 | 173.8  | 174.1  |
| Choice Round Primal   | 167.7  | 166.4  | 164.6  | 166.0 | 168.2  | 170.1  |
| Choice Loin Primal    | 287.6  | 283.3  | 279.1  | 275.5 | 272.2  | 269.0  |
| Choice Brisket Primal | 190.0  | 188.7  | 186.9  | 184.7 | 185.0  | 182.2  |
| Cash Cattle           | 116.1  | 115.1  | 112.9  | 113.6 | 114.4  | 115.1  |



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