

THE MONTHLY RED MEAT OUTLOOK: CATTLE & BEEF

JULY 2019

temperatures increase, consumers have less desire to stand outside next to a hot grill. It is pretty clear that there has been some erosion in domestic beef demand since late May. But rest assured, it has not been too serious. Our forecasts have domestic demand staying a bit stronger this year than in the dog days of past years, partly because we believe some demand has been pushed back due to the cool, wet spring. So far this summer retailers have been pushing ground beef heavily in their ads and consumers have responded favorably. The middle meats will be a tougher sell as the summer wears on, but the end meats normally see improving demand beginning in mid-to-late July as institutional buying from school systems and colleges ramps up ahead of the new school year. So, on balance, it looks like domestic beef demand will hold up reasonably well for the next couple of months.

US beef exports were down about 3% YOY in May and it looks like that trend may have carried into June. Some of that has to do with the fact that beef prices are higher than they were last year at this time; but there is also probably some impact from a slowdown in the global economy. The macroeconomic numbers out of Asia are looking softer with each passing week and as consumers in those countries pull back, it is reasonable to expect them to demand less imported beef. The slowing global economy ranks as our number one bearish factor on the

Beef packer margins recently soared to over \$200/head

demand side of the beef market. It looks like it may get worse as we move deeper into the second half of the year. There is a very real risk that it will spread to the United States and thus cause further erosion in domestic beef demand. Buyers are encouraged to keep a close eye on the global macroeconomy, since this could quickly change the complexion of beef demand, and thus beef prices, should the current slowdown become worse.

SUMMARY

Cattle prices eased lower during June, and may be near a bottom. Beef prices will likely continue to work modestly lower during July and early August which will compress beef packer margins somewhat. Beef production during July should be at least as large as in June, and likely larger. Carcass weight data tells us that feedyards are very current in their marketings and that may be what limits the downside risk in the cattle market over the next few weeks. Beef demand is normally sluggish during July and August, but our forecasts don't look for an abnormally large deterioration in demand this year. International demand for US beef is currently behind last year and there is risk that the weakness in the global economy could stifle beef exports in the coming months. **Table 1** provides our price forecasts for cattle and beef over the next few weeks.

Figure 1: Choice-Select Spread

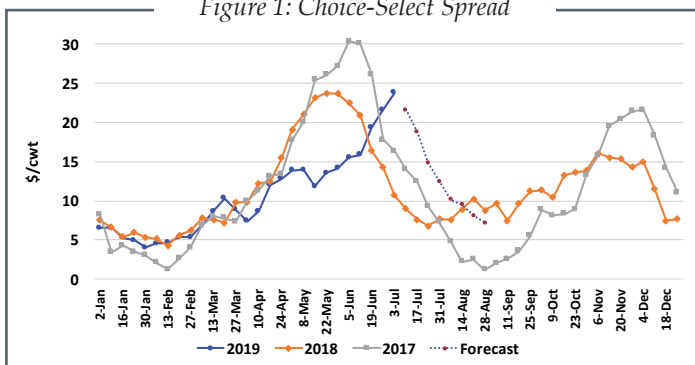


Figure 2: Detrended & Deseasonalized Steer Carcass Weights



Table 1: JSF Cattle and Beef Price Forecasts

	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug
Choice Cutout	212.4	210.4	208.2	205.9	204.3	202.0
Select Cutout	193.6	195.5	195.7	195.7	194.8	193.9
Choice Rib Primal	345.9	339.8	331.4	327.0	330.0	326.0
Choice Chuck Primal	175.0	173.1	172.5	171.5	170.3	168.7
Choice Round Primal	170.1	171.4	169.8	167.8	165.4	162.2
Choice Loin Primal	285.7	281.6	278.8	275.5	272.2	269.9
Choice Brisket Primal	178.8	180.3	181.0	182.0	183.3	184.1
Cash Cattle	112.7	114.0	113.6	114.4	114.6	114.0



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