



WEEK ENDING JUNE 04, 2021

# THE BEEF WRAP

The big news this week was the disruptions at JBS facilities due to a cyberattack. The attack occurred on Sunday, May 30. Fortunately, there was no kill scheduled for Monday since it was a holiday. Most of the JBS beef plants were down on Tuesday and the daily kill only amounted to 94k, when 120k was more typical. Apparently, JBS was better prepared for this type of event than most companies and it had most of its plants running again on Wednesday. By Thursday, the daily kill was back to normal levels.

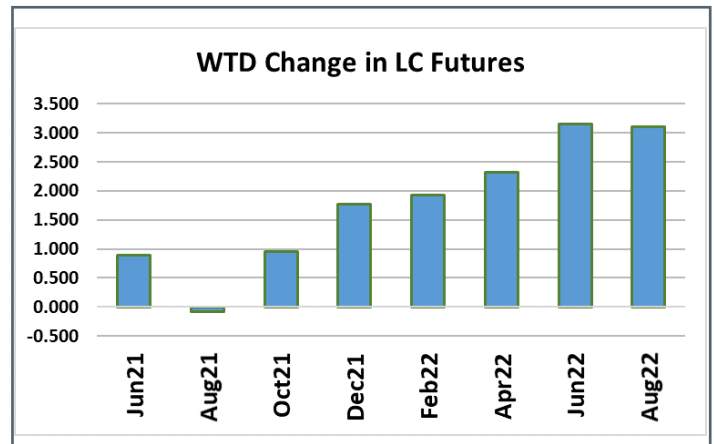
The futures market sold off hard on the news, but rebounded the next day as traders came to realize that the \$119-120 packers were paying for cash cattle was already a gift and that cash cattle prices wouldn't move lower because of cattle going un-slaughtered this week. The beef market reacted in spectacular fashion, with both cutouts jumping over \$5 on Tuesday and Wednesday. The kill slowdown happened at a very bad time since the industry was already expecting a short kill week due to Monday's holiday. The fact that the cutouts jumped so much and so quickly on the news tells me that beef demand remains very, very good. Buyers are mostly in a hand-to-mouth mode and any inkling that supply could be limited sends them rushing into the market to pay whatever they must for coverage.

Interestingly, it was the chuck and round cuts that benefited the most from this week's burst of activity. The cutouts are likely to continue higher over the next few days until we can get this short kill week solidly in the rear view mirror. Even then, I don't look for the cutouts to set back much. Father's Day is right around the corner and that is a pretty important beef event as well. Packer margins this week came in at \$1,042/head, so there is plenty of financial incentive for packers to kill as many as they can. I'm looking for a big Saturday kill this week as a result. The fed kill should bounce back to around 520k next week and may approach 530k at times between now and the end of July.

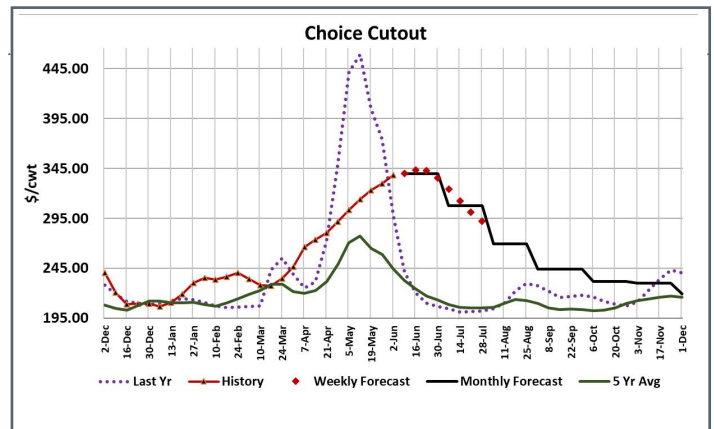
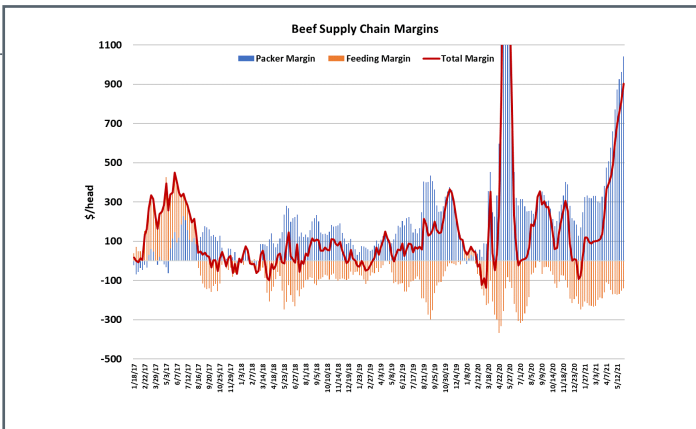
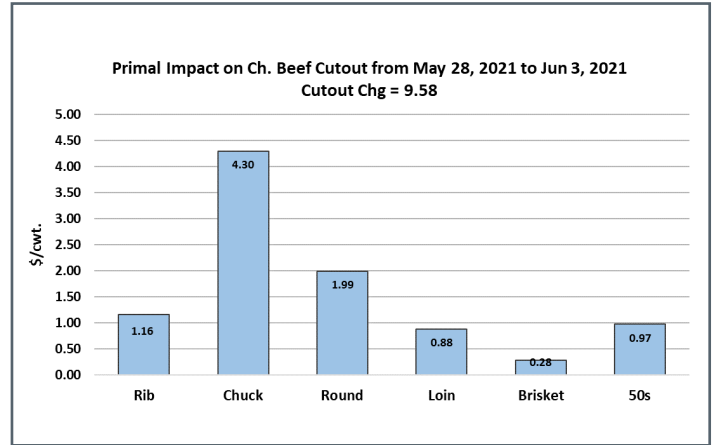
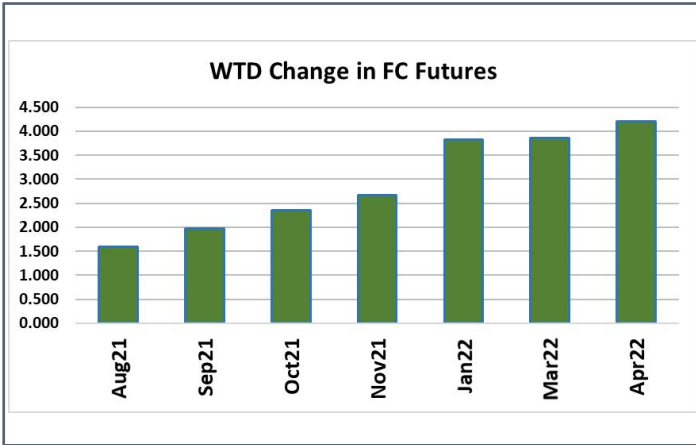
By my calculation, that would still leave some cattle un-slaughtered and thus it will add to the backlog that needs to be worked through later this summer if packers can find the labor they need to make that happen. Packers will likely continue to pay \$119-120 for cattle even though they could probably get them bought several dollars cheaper if the market was allowed to clear naturally.

The best news of the week came in the weight data today, which showed steer carcasses down six pounds from the week before and it looks like weights may be down a little more next week. However, I don't look for much more softening in carcass weights beyond that and they should turn higher soon on their seasonal trek toward a top in late October. All of my beef price forecasts for this week turned out to be too low once again, so upward revisions were necessary. Calling the top in this market seems like an impossible task. This week's revisions pushed the forecast top in the cutouts out to early July. That may still be too soon.

It seems to me that since packers are going to be forced to raise wages in their plants substantially, that meat prices will be higher than normal going forward. They will still gyrate up and down, but at higher levels than what we were used to prior to 2021. Beef buyers need to be prepared for that new reality once this episode fades.



While the information contained in this report has been obtained from sources believed to be reliable, J.S. Ferraro disclaims all warranties as to the accuracy, completeness or adequacy of such information. The information is not a recommendation to trade nor investment research. User assumes sole responsibility for the use it makes of this information to achieve his/her intended results. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of J.S. Ferraro.



**DR. ROB MURPHY** BS, MS, PhD Agri Economics,  
Executive Vice President, Research & Analysis,  
J.S. Ferraro

E: [Rob.Murphy@jsferraro.com](mailto:Rob.Murphy@jsferraro.com) [in](#) [tw](#)

*Dr. Rob Murphy is an agricultural economist and business leader with over 29 years in the industry. He has a wealth of experience in the North American meat and livestock industries studying, analyzing and predicting market movements.*

**SUBSCRIBE NOW for market intelligence**

While the information contained in this report has been obtained from sources believed to be reliable, J.S. Ferraro disclaims all warranties as to the accuracy, completeness or adequacy of such information. The information is not a recommendation to trade nor investment research. User assumes sole responsibility for the use it makes of this information to achieve his/her intended results. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of J.S. Ferraro.