



WEEK ENDING JULY 23, 2021

# THE BEEF WRAP

Cash cattle markets were mostly lower, with the average so far this week at \$120.21, down over \$2.50 from last week's average. The cutouts also continued lower, with both down about \$6 on a weekly average basis. However, the cutouts did manage to eek out small gains on Wednesday and Thursday, which has some wondering whether or not the market is carving out a bottom and preparing to head higher. Ribs have added value this week, along with the 50s, but the end meats continued to be a drag on the cutouts. Retailers are likely in the process of planning Labor Day features and beef middles have to look pretty attractive after the prices they faced heading into Memorial Day.

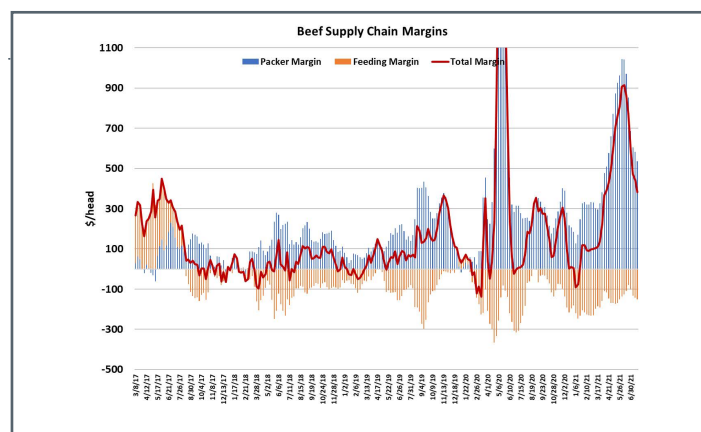
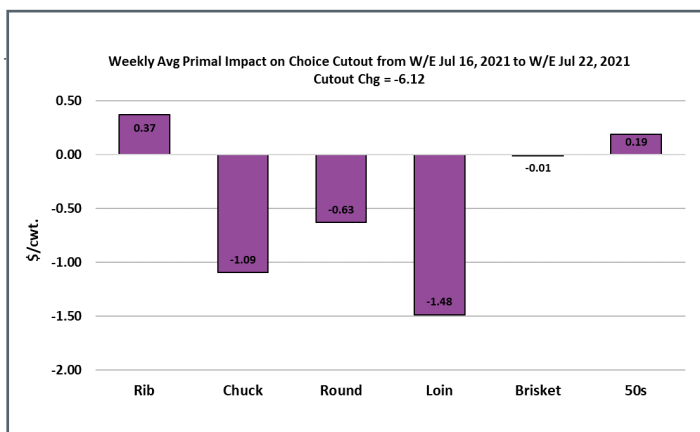
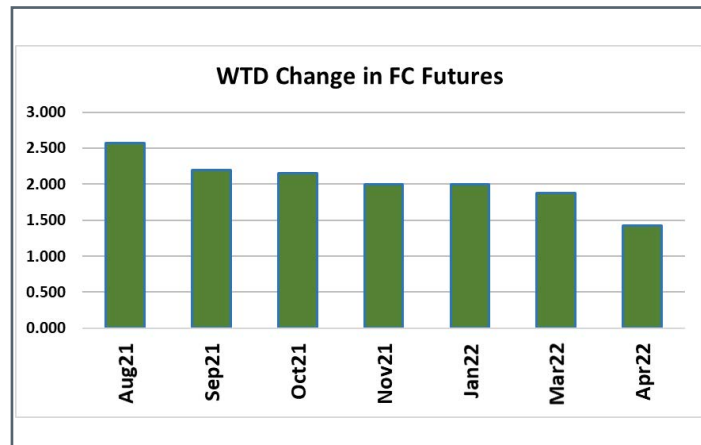
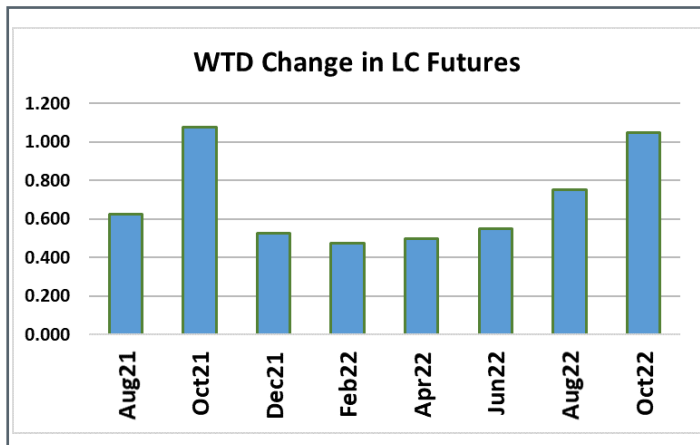
I see the ribs as having bottomed now and they should work higher from now until November. Loins typically don't follow the same seasonal pattern—then trend lower right into the holidays and those cuts remain on the defensive. End meats, on the other hand, probably have further downside risk and that will likely keep the cutout working lower, although at a much slower pace than what we have seen in the past few weeks. The 50s market added another \$10 this week. It does seem that all sources of fat are seeing elevated pricing right now, so there could be a demand side component to the strength in the 50s, but I also believe that the supply of 50s is being limited by below-average kills and lighter carcass weights. Steer weights were reported one pound higher this week, but should have added more than that if they were on a normal seasonal track. The DTDS plunged lower and is a reminder that carcass weights are actually in pretty good shape this summer. So far, that hasn't translated into additional leverage for cattle feeders, but it might help cash cattle prices before long.

The key will be keeping packers interested in putting together a long string of decent-sized kills. Unfortunately, it is beginning to look like this week's fed kill may underperform expectations. The current forecast is for 511k of fed cattle to be slaughtered this week. That is well below the 525-530k that I think need to be slaughtered in order to keep cattle from backlogging.

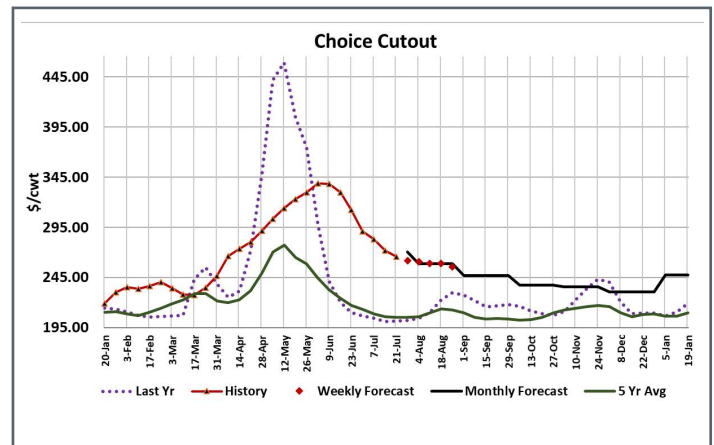
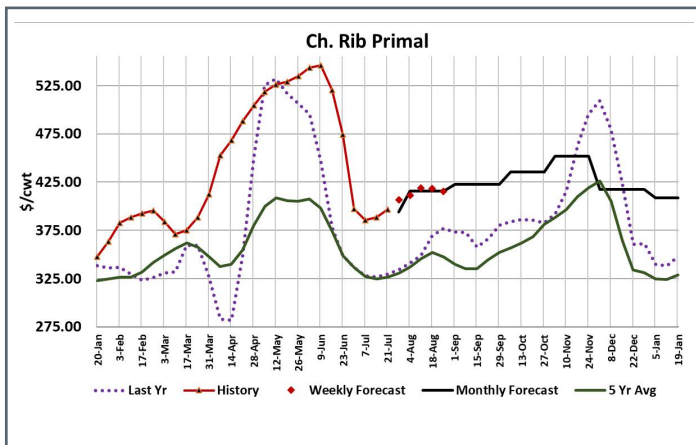
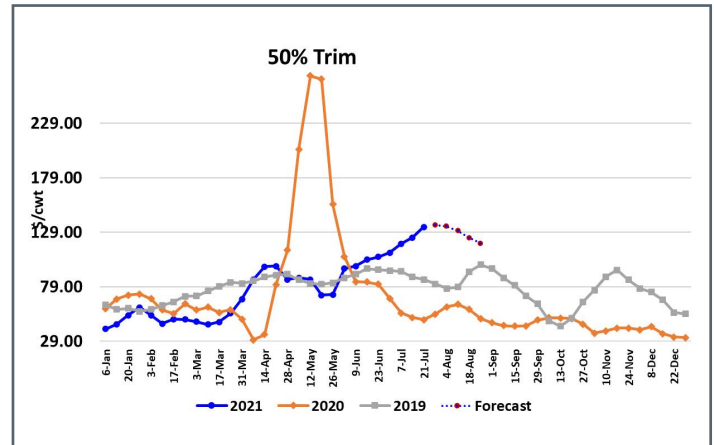
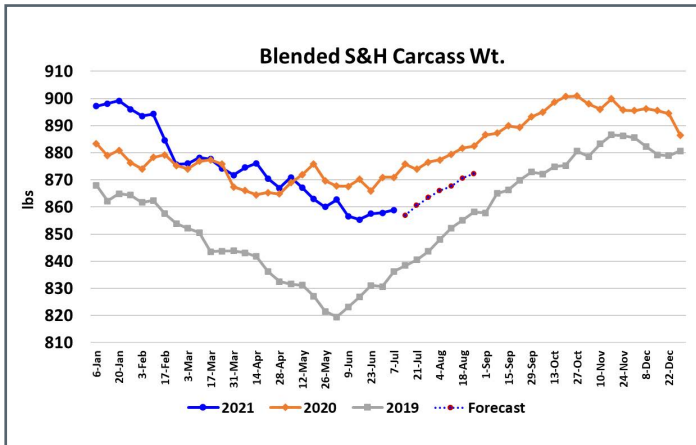
Packers may surprise me with a big Saturday kill, but at this point I'm betting on something relatively close to last Saturday's level around 45k. Packer margins moved lower again this week, now at \$535/head. They still have a long way to go before they get back to normal and I'd expect the rate of decline in margins to slow during August. One bright spot in the beef complex this week was the weekly export data, which showed nearly 40% improvement over last year at this time.

China continues to be a big buyer of US beef and we are also seeing strong interest from Japan and Mexico. If exports continue on this path, it will be worth several additional dollars on the cutout this fall and winter and may help lift the cash cattle market. Today's cold storage report showed a 4.3% drawdown in beef stocks during June and the inventory now sits 7.4% below the five-year average. That is not nearly as bad as the tight cold storage situation in pork, but it likely means that the buyers will have to rely a little more on the spot market this fall to meet their needs.

Next week, expect the cutouts to be lower again, but to a lesser degree than in recent weeks as strength in the middles helps to offset some of the weakness in end meats. Also keep and eye on those 50s, because I can't shake the feeling that they are trying to tell us something.



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**