

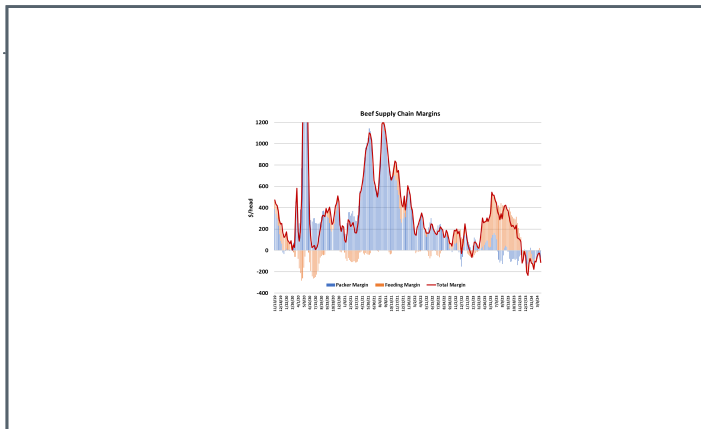
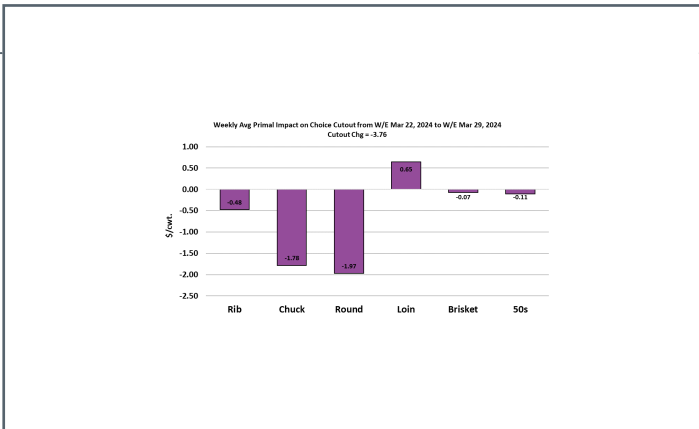
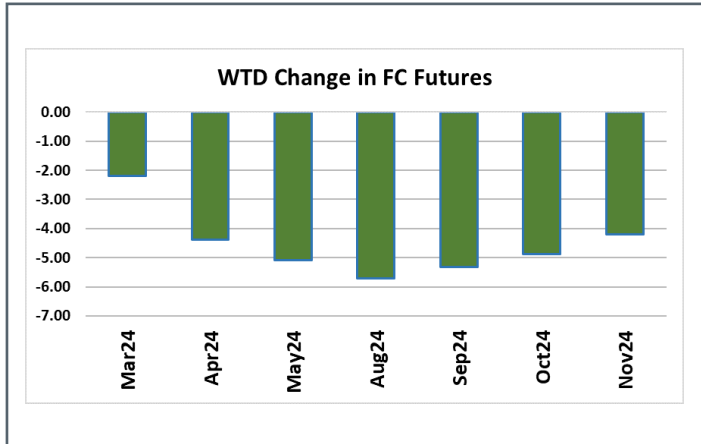
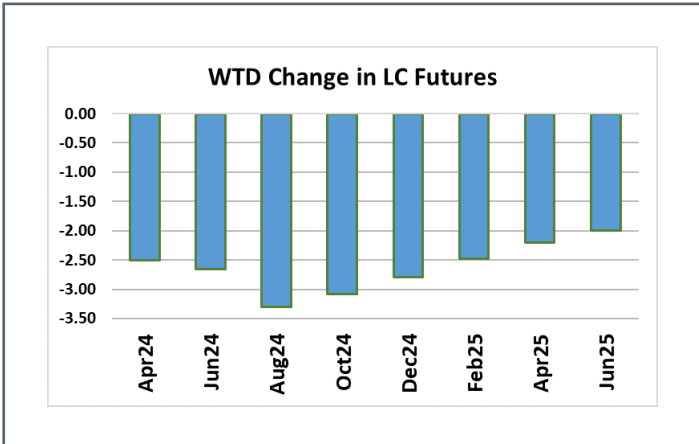


WEEK ENDING MARCH 29, 2024

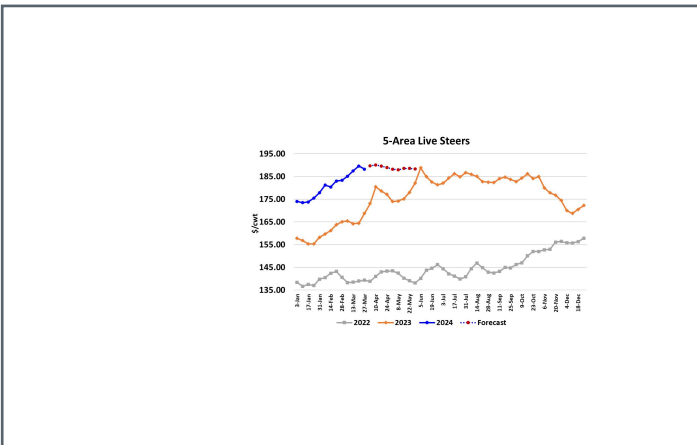
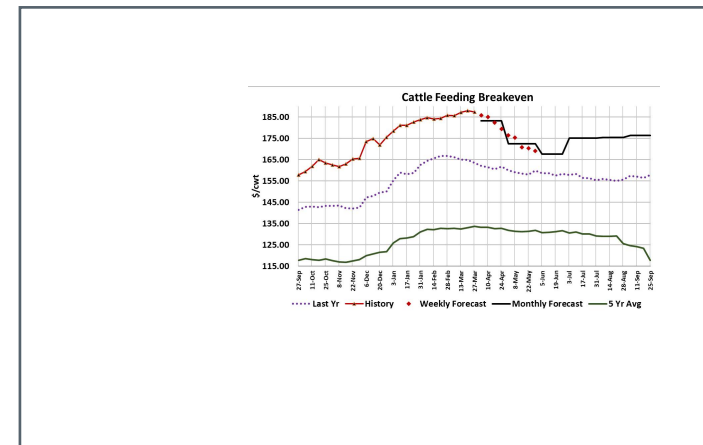
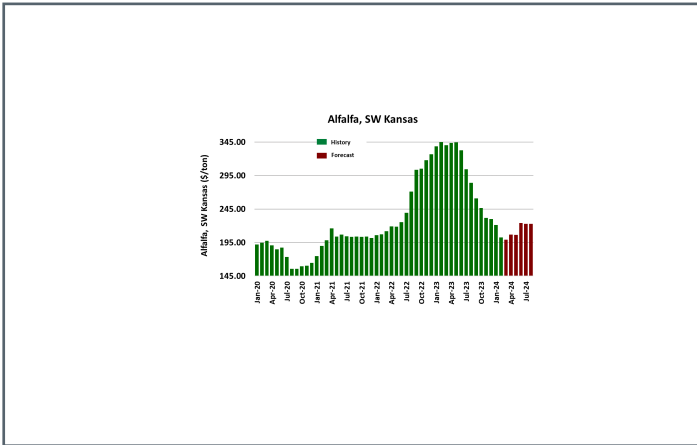
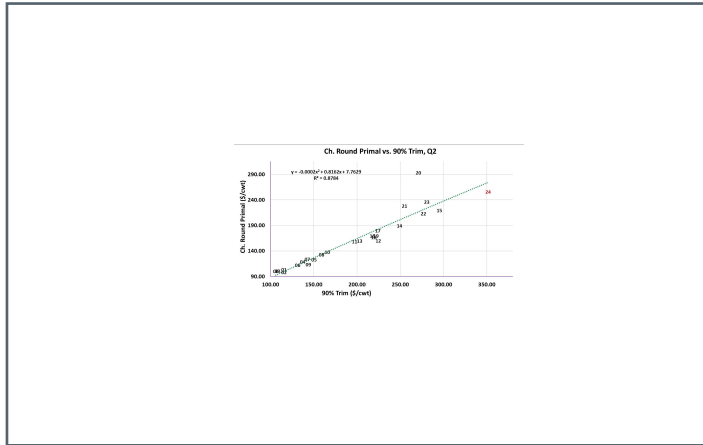
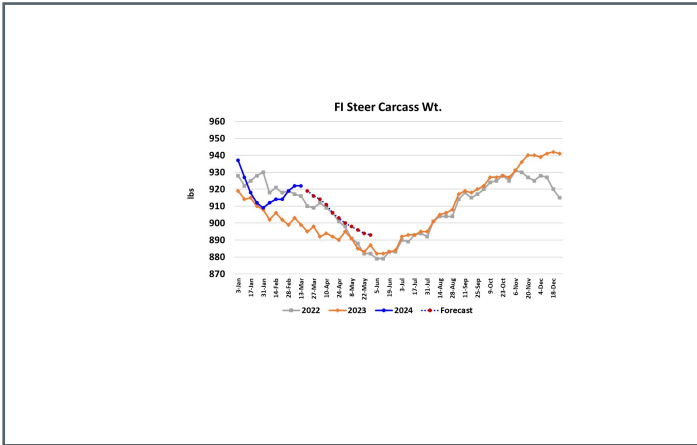
# THE BEEF WRAP

The big event this week in the cattle and beef complex was a large sell-off in the futures that occurred on Tuesday. On that day, most active Jun finished down \$3.22/cwt. No one seemed to be quite sure what triggered the selling. Long-time fundamental bears were sure that this was signaling the imminent collapse in cash cattle prices that they had been expecting due to a building backlog of cattle. Others pointed to news of a few dairy cows in the Southern Plains that had contracted avian influenza and there was fear that it would spread to feedyards and thus beef exports would be shut off as a result. Still others pointed to the uncertainty surrounding the collapse of a major bridge on Tuesday morning in Baltimore's harbor that would probably shutdown most port traffic for weeks or months. Since no one seems to know exactly what caused the sell-off, let's examine each theory. First, the idea that a backlog of cattle was going to cause cash cattle prices to collapse. That clearly wasn't the case because cattle feeders who held out until the end of the week got nearly-steady money from packers, particularly those in the North. A few cattle feeders in the South panicked and sold cattle lower at \$185 on Tuesday. The rest of the trade happened on Thursday at \$186, down \$2, in the South. Trade in the North was at \$188-190, about \$1 lower than the prior week. All total, the 5-area price for the week is likely to come in at \$188.20, down \$1.36 from last week's average. So, hardly a collapse. The sharp selloff in the futures had the potential to trigger sharply lower cash trade, but it didn't. That should tell us something. The fact that cattle feeders in the South were more willing to take lower money quickly makes sense because we've known for some time that market-ready numbers are larger in the South right now and the widening price spread between the North and the South is evidence of that. If anyone had dug into the details of the avian influenza story, they would have quickly come to the realization that it wasn't very likely to impact the beef industry. Only older cows were infected (no young animals such as feedyard cattle) and those that were infected made a full recovery within a couple of weeks. In fact, the infection was so mild that it was only discovered after producers noticed and reported lower milk production from some cows. It doesn't seem like the kind of thing that would cause bans on US beef across the globe. Finally, the bridge story. The port of Baltimore handles very little beef, and zero beef exports. Any of the small amount of beef it might handle is beef being imported into the US. Now, a large share of imported beef does come in through East Coast ports, so the closure of Baltimore and subsequent re-routing of traffic to other ports might materially slow down beef imports, but that would be bullish for prices and certainly no reason to sell the futures hard. So, where does that leave us? Probably the best explanation is that Tuesday's sell-off was a mistake caused by uninformed hedge funds who feared one of the three scenarios outlined above and started dumping long positions.

Ok, that sounds reasonable, but what is going to happen when they get Sell first, ask questions later. It is worth noting that the futures staged a decent recovery on Thursday as it became more obvious that the cash market situation was not as dire as originally thought. Beef buyers watched the futures tank on Tuesday also and pulled back on the reins. As a result, the cutouts drifted lower on the week. The Choice dropped \$3.76 on a weekly average basis and the Select was down \$1.78. I suspect that those buyers who backed off this week will regret it next week when availability will be down due to short kills around Easter weekend. The weather forecast across most of the US for Easter weekend looks exceptionally mild and it is probable that beef movement will be strong, leading to good fill-in interest early next week. One item that didn't quote lower this week was beef 90s, up \$4.31 from last week and printing \$340/cwt. on Friday afternoon. That should be very supportive to the end cuts going forward and that is bullish for the cutout in general because middle meats normally perform well in the spring while end cuts get much less love. This week's fed kill tallied only 465k, down 10k from the week before. I expect that packers will probably try to make up some of the lost holiday kill next week and we could see fed slaughter approach 480k. This week's cash cattle volume looks very light relative to the last few weeks, but perhaps packers are planning on drawing from their April contract cattle next week. The cattle market may not have a lot more upside potential, but I certainly don't get the feeling that it is going to abruptly collapse. Apr futures will go into delivery a week from Monday. Next week, look for the cutouts to regain some of the ground lost this week, prompting cattle feeders to insist on regaining the ground they lost this week too. They may get it.



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.