J.S. FERRARO

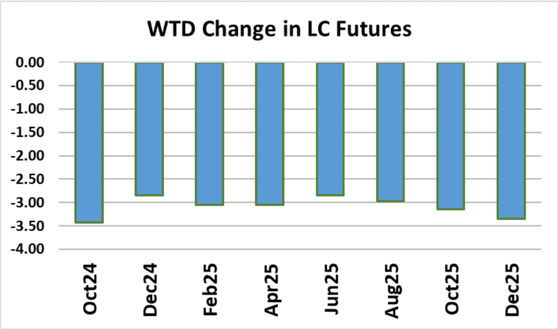
jsferraro.com | 416.306.8788
130 Adelaide Street West, Suite 3302 Toronto, Ontario M5H 3P5

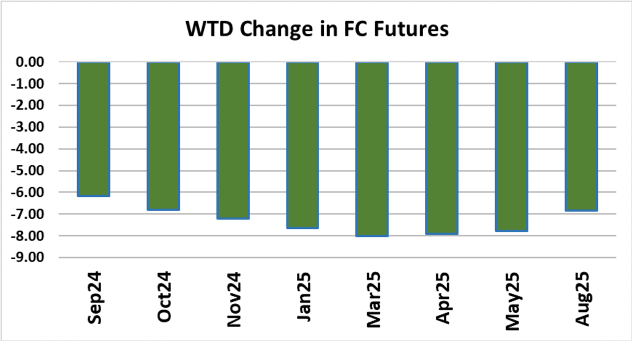
WEEK ENDING SEPTEMBER 6, 2024

THE BEEF WRAP

The beef cutouts continued lower this week, with the Choice dropping $5.20/cwt. to average $310.63 and the Select losing $3.31 on its way to $298.02. This week's decline was largely driven by a big drop in the loin primal and a sharp down move in the price of 50s. Choice striploins were responsible for the loin's share of the loin decline as Labor Day buying dried up. The 50s, which averaged close to $163 last week, printed closer to $139 this week–a nearly 15% decline in one week. Some of that can likely be explained by light processor demand in anticipation of reduced hours next week, but carcass weights are getting heavier by the day now and that is also playing a role. Demand for trims generally softens moving into September because the summer travel season is complete. The one part of the complex that isn't showing much weakness is the lean trim, where the 90s were up marginally from last week while the chuck and round primals were down only slightly. We should see the 90s start to ease in September as well, but I wouldn't look for a big price decline. That means that the chucks and rounds also probably remain relatively firm and that should provide a pillar of support that keeps the cutouts from dipping too low in September. The cash cattle market traded lower again this week with trade in the South steady to slightly lower around $182-183 while trade in the North was down about a dollar to $184. When all of the data are tabulated on Tuesday, I expect the 5-area price to be in the vicinity of $183.80, which would be about $1.75 lower than last week's average. The 5-area price, which is the closest Coming into the week, it appeared that the cash cattle market was poised to trade steady or only a little lower, but outside forces intervened once again. On Thursday, there was news of anthrax infecting part of a cattle herd in Wyoming and that sent the futures sharply lower, prompting cattle feeders in the South to agree to $181, down $2 from the week before. On Friday, another meltdown in the stock market weighed on cattle futures, resulting in further cash trade at lower money. It now looks like pricing is close to parity between the North and the South and when all of the data is tabulated on Monday, I expect the 5-area price to print around $181.10, down $2.70 from the week before. The beef market held up much better than the cattle market with both the Choice and Select cutouts nearly steady on a weekly average basis.

The US was a net importer of beef during July to the tune of 146 million pounds. The last time that the US posted net import numbers that strong was back in 2015 near the bottom of the last cattle cycle. With 90s prices holding at sky-high levels, it is a good bet that the US will remain a strong net importer for the foreseeable future. Beef wasn't the only thing registering strong import numbers; feeder cattle imports from Mexico were also very strong at 122k head during July, up almost 65% YOY. Drought has parched northern Mexico this year and cattle feeders in the Southern US are taking advantage of that by bringing large numbers across the border to finish in the US, helping to explain why feedyard placements have been so strong in recent months. Producers in Canada aren't feeling the same sense of urgency to send cattle to the US as overall feeder cattle shipments from our neighbor to the north are up only about 1% YTD. Packer margins this week are pegged at -$20/head, the best they have been since December of last year. If the cutouts don't erode very much next week, then packer margins might stand a chance of reaching the breakeven mark. With the decline in cattle prices over the past few weeks, cattle feeding margins have come under pressure and are now only about $40/head in the black. They may have a little more downside risk, but I'm not expecting feeding margins to go red for very long this fall. Feedyard placements during August look like they may be flat to slightly higher YOY, but with cattle feeding margins quickly evaporating, it wouldn't be surprising to see YOY declines in placements for September and October. Next week, look for the cutouts to ease a little under the weight of full production. Cash cattle prices could also have a little more downside risk, but the bottom in the cash market is probably very near.


WTD Change in LC Futures
0.00
-0.50
-1.00
-1.50
-2.00
-2.50
-3.00
-3.50
-4.00
Oct24
Dec24
Feb25
Apr25
Jun25
Aug25
Oct25
Dec25


WTD Change in FC Futures
0.00
-1.00
-2.00
-3.00
-4.00
-5.00
-6.00
-7.00
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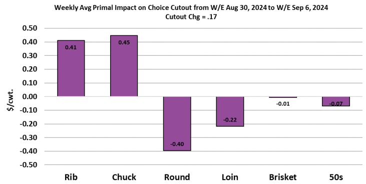
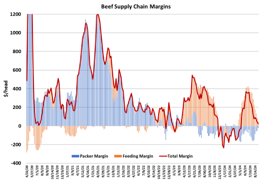
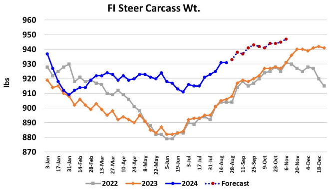
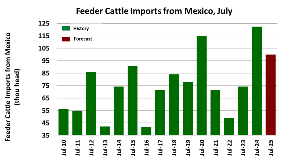
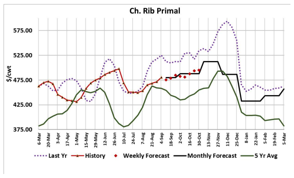
-9.00
Sep24
Oct24
Nov24
Jan25
Mar25
Apr25
May25
Aug25

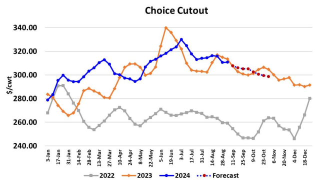

Weekly Avg Primal Impact on Choice Cutout from W/E Aug 30, 2024 to W/E Sep 6, 2024
Cutout Chg = .17
$/cwt.
0.50
0.40
0.30
0.20
0.10
0.00
-0.10
-0.20
-0.30
-0.40
-0.50
0.41
0.45
-0.40
-0.22
-0.01
-0.07
Rib
Chuck
Round
Loin
Brisket
50s


Beef Supply Chain Margins
$/head
1200
1000
800
600
400
200
0
-200
-400
Packer Margin
Feeding Margin
Total Margin


FI Steer Carcass Wt.
lbs
960
950
940
930
920
910
900
890
880
870
3-Jan
17-Jan
31-Jan
14-Feb
28-Feb
13-Mar
27-Mar
10-Apr
24-Apr
8-May
22-May
5-Jun
19-Jun
3-Jul
17-Jul
31-Jul
14-Aug
28-Aug
11-Sep
25-Sep
9-Oct
23-Oct
6-Nov
20-Nov
4-Dec
18-Dec
2022
2023
2024
Forecast







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

E: Rob.Murphy@jsferraro.com

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.