

Fresh 50% trim and fresh 90% trim prices have slowly lost ground since June. Fresh 50% trim has spent most of the summer below a year ago. The third quarter averaged \$34 per cwt per week lower than 2019 for corresponding weeks. The availability of 50% trim has increased as slaughter levels have returned to normal and cattle are dressing out at heavier weights. Both of these are likely impacting these wholesale prices. Last week's data showed fresh 50% trim came in at \$35.67 per cwt, a 53% decline from last year's price. Fresh 90% trimming prices too have eroded. Last week fresh 90% trim was \$194.58, 14% lower than last year for the same week. Fresh 85%, 92% and 65% trim are also all lower than a year ago.

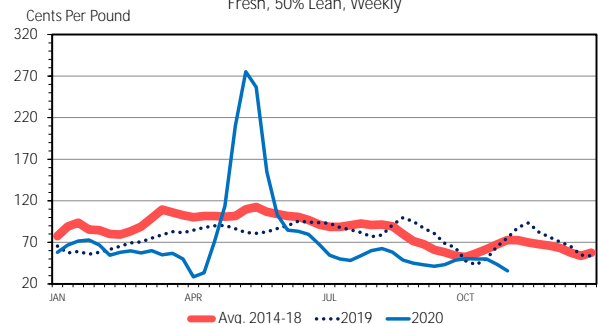
The fresh 90% trim supply typically comes from cow beef. Total cow slaughter on the year is down 72 thousand head, about 1%. Beef cow slaughter is actually up, 65 thousand head, up 3%, while dairy cow slaughter is off 136 thousand head, 5% down from last year. The rapid reduction in supply in the second quarter was equivalent to a 3% drop in total cow slaughter from April-June. July to September showed a drop in total cow slaughter of 4%, and yet 90% trim continued to decline. Cow weights have been below a year ago in the third quarter, averaging 632 pounds dressed weight compared to 637 last year.

Another factor has been high levels of imports from countries that primarily ship lean beef to the U.S. Imports of beef are up 27% in data through August (September carcass weight data will be published by USDA FAS on Nov 4th). The high response this year is in part due to the high prices seen in the second quarter, and the lag time between those sales and arrival could be contributing to those depressed trim prices. Imports in June, July and August were each between 15-41% higher compared to 2019. A back of the envelope calculation for the lower cow slaughter and using average dressed weights, yields the loss of domestic supply during the third quarter is equivalent to about 11% of August's total beef imports. The year-to-date lower total cow slaughter number would translate into about 13% of August's total beef imports. Third quarter imports are much larger than the decline in the U.S. domestic supply.

There is also evidence that the U.S. demand is not keeping up with the increase in supply of boneless beef. The current data for cold storage (September) indicates boneless beef inventory is below a year ago by about 2%. This is misleading because of the large drawdown in stocks in May as slaughter tightened significantly. Boneless beef stocks have increased for the last 5 months straight, despite a reduction in cow slaughter. Cold storage does not break out domestic vs. imported inventory, but some of the boneless beef is likely imported.

The concern with these statistics is not that beef stocks are overly burdensome in total, but that the demand profile has weakened towards ground beef which had been supported by at home cooking. This could be a change in preferences heading into the fourth quarter after months of heavy utilization. It also could be timing: lack of food-service use has caught up to the sector that wasn't possible to see when slaughter levels were depressed or that the timing of imports has created a short term surplus.

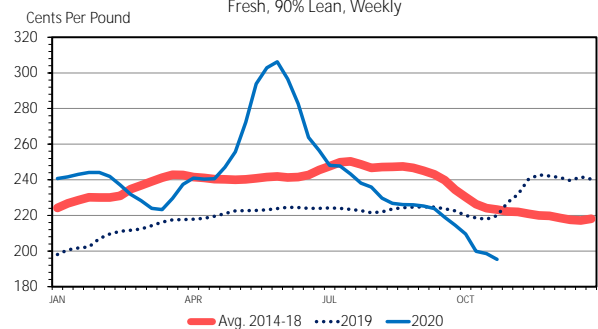
**WHOLESALE BONELESS BEEF PRICES**  
Fresh, 50% Lean, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

M-P-25  
10/23/20

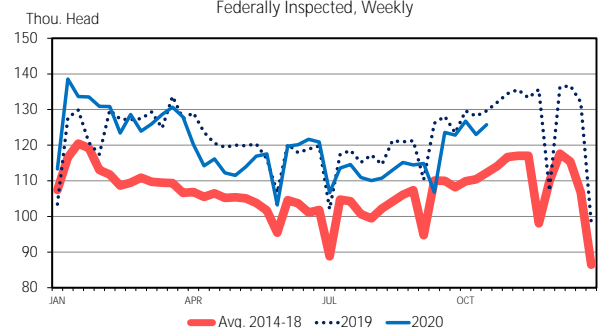
**WHOLESALE BONELESS BEEF PRICES**  
Fresh, 90% Lean, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

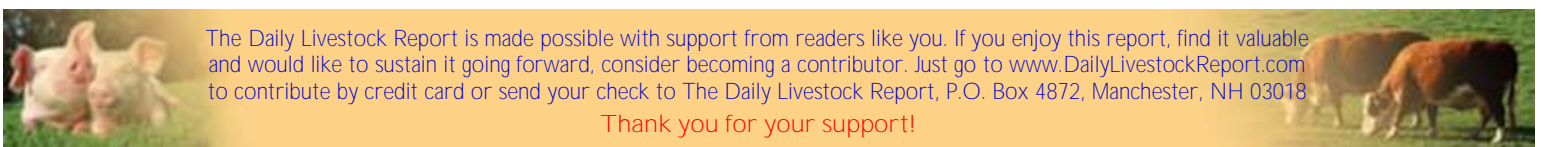
M-P-24  
10/23/20

**TOTAL COW SLAUGHTER**  
Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS  
Livestock Marketing Information Center

C-S-14  
10/30/20



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