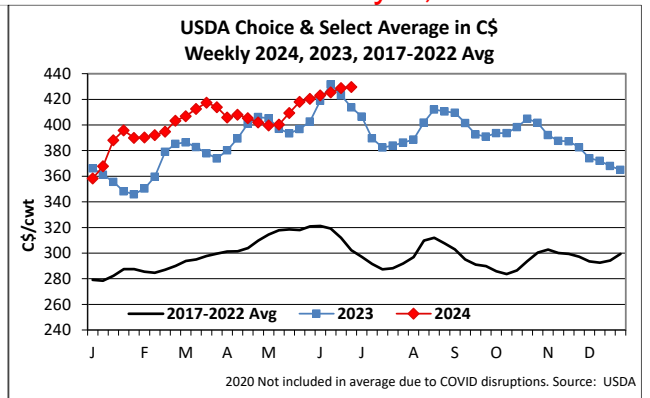
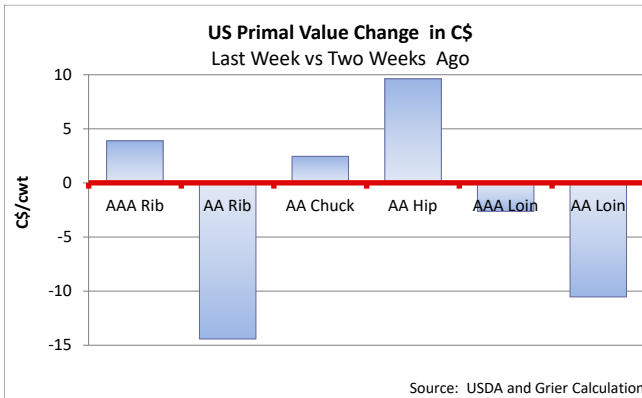




July 2, 2024



## Market Call for this Week: **STEADY TO HIGHER**

Holiday shortened week plus the loss of a major U.S. plant for a few days, plus good demand means modestly higher prices. **U.S. Call: +2/cwt.**

### Week in Review

#### Overview

As noted on the next page, beef features were robust this Dominion Day weekend. Beef may be high priced, but retailers demonstrate time and again that the important holiday weekends belong to beef. Beef generates traffic like the other two main proteins cannot. What was even more interesting is that retailers went hard on the loins for the weekend. They did not play it cautiously and go with ground beef. Perhaps the best news of all for the industry is that the features did draw the customers. Retailers note, from east to west, that the features worked up to expectations or more. The main negative, however, is that given how high regular prices are, consumers are more feature focused than ever. A big feature weekend like this one only reinforces that. The main point of concern, however, is that some of the beef prominently displayed on the front was non-graded. Based on the quality of some of that beef, the realistic concern is that it could do serious damage to beef demand.

#### Spot Market, One Week Canadian Product Availability

Cargill High River only worked four days last week while Harmony put in a Saturday. JBS worked five days. All were off on Monday. Cargill High River is picking up more of the slaughter that would have happened at Guelph so fed kills are down less than at the start of the strike. Overall spot market Canadian availability is light.

#### Canadian Wholesale Buyer Activity

Buyers continue with the usual procurement mix formula, spot and upfront buys, but the quantities are less, give availability and price. If anything, forward buys are down but that is more a function of lower needs due to price as opposed to less featuring. Processors are busy filling strong demand.

#### Asking Prices Six Weeks Out Delivery (w/e July 10 ) Compared to Current

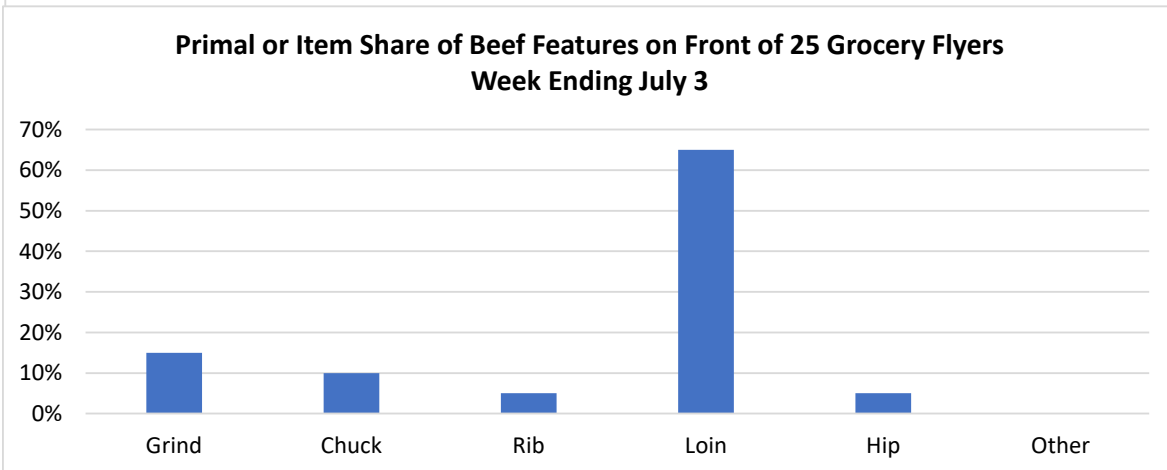
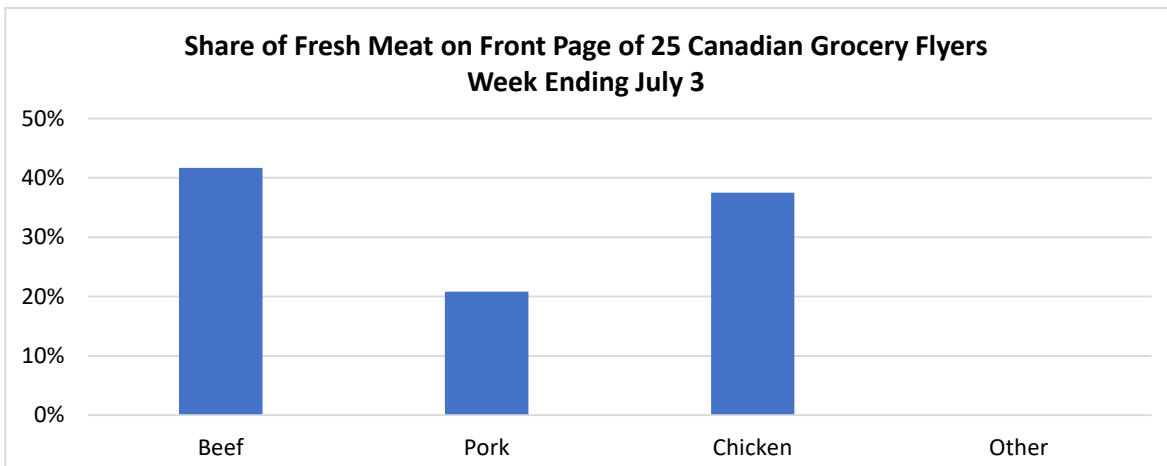
NOT AVAILABLE THIS WEEK



### Market Call Last Week: STEADY TO HIGHER

“Demand keeps surprising all players. Packers seem to be in good shape on inventories and buyers are likely going to stay active early this week on the spot market. **U.S. Call: +2/cwt.**” Bang on the price and the rationale. Grade on the call: “A+.”

## Canadian Fresh Meat Features and Business Trends



### Features

Fresh Meat Grocery Flyer Assessment (25 flyer front pages across Canada, week ending July 3):

- Beef made it on 76% of the 25 surveyed flyer front pages. **(above average)**
- Beef had a 42% share of fresh meats featured **(above average)**; pork, 21%; chicken 38%.
- Commentary: Grocers proved once again that for the big holiday weekends, you have to go with beef. Not only that but they threw caution to the wind and went heavy on the loin as opposed to cheaper options. To make matters even better, most of the front page offers were for U.S. or Canadian product.

### Business Trends

- Grocery: Dominion Day beef tonnage was very good as consumers reacted as expected to the features.
- Foodservice: Foodservice business continued to improve from the sluggishness of spring. Beef is still lagging the overall business.

### Wholesale Price Trends

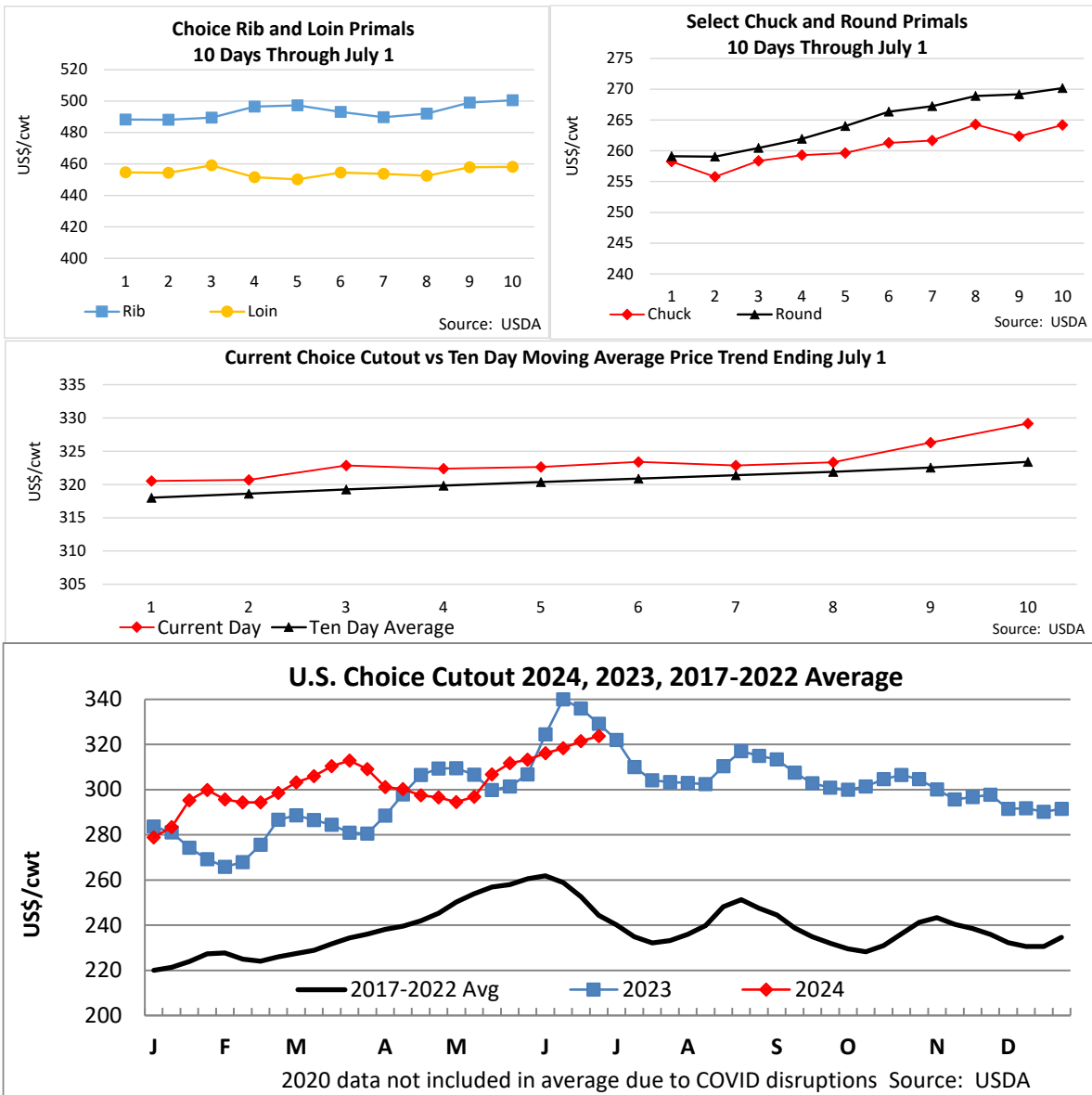
- Wholesale pork is struggling. It did not make a seasonal advance much.
  - The beef-pork wholesale spread is greater than the average of 2021-2023. Beef costs more than the three-year average vs. pork.
- Wholesale chicken has been seasonally increasing and seems to have bounce.
  - The beef-chicken wholesale price spread is more than the three-year average 2021-2023, meaning that beef cost is above average relative to chicken.

### Retail Fresh Meat Margins

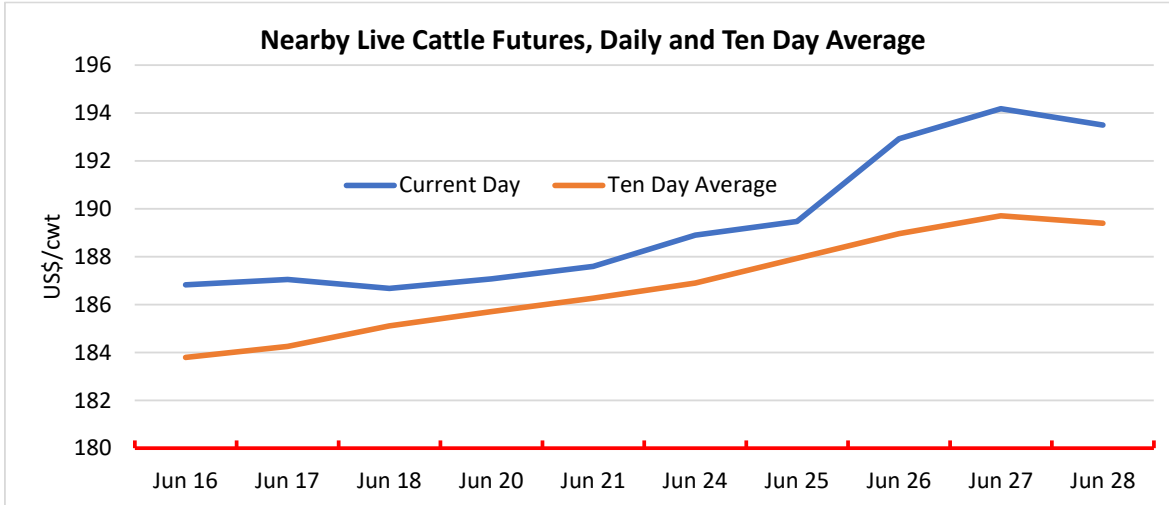
- Beef margins at retail are above the three-year 2021-2023 average.
- Pork fresh product margins at retail are below the three-year average.
- Chicken margins at retail are above the three-year average.

## Packer Sales and Margins

### Primal Trends



### Live Cattle Futures

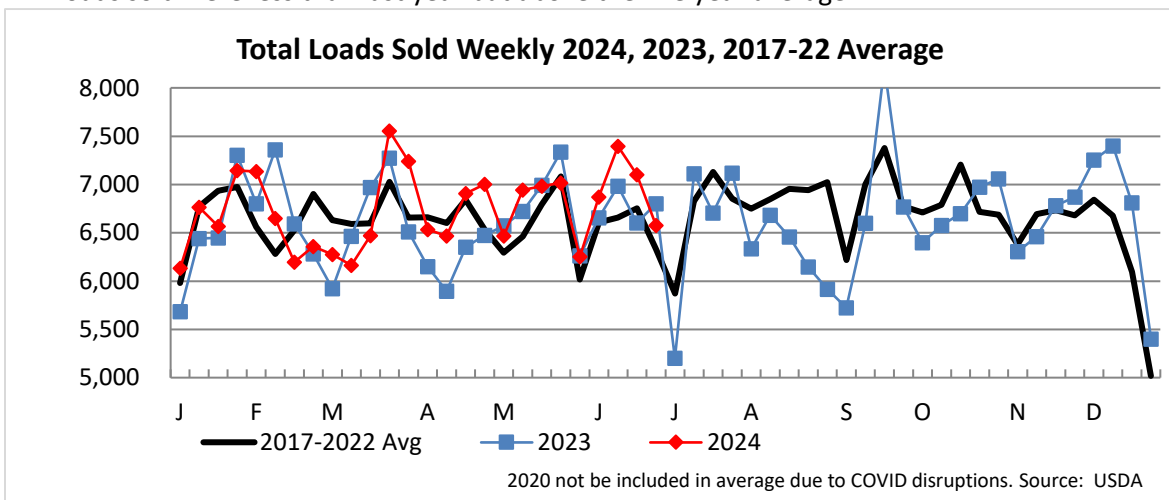


- The beef cutout continued its seasonal advance a week or two longer than normal.
- The end primals continue to carry the load on the cutout.
- Live cattle futures have begun to look like they have found a top.

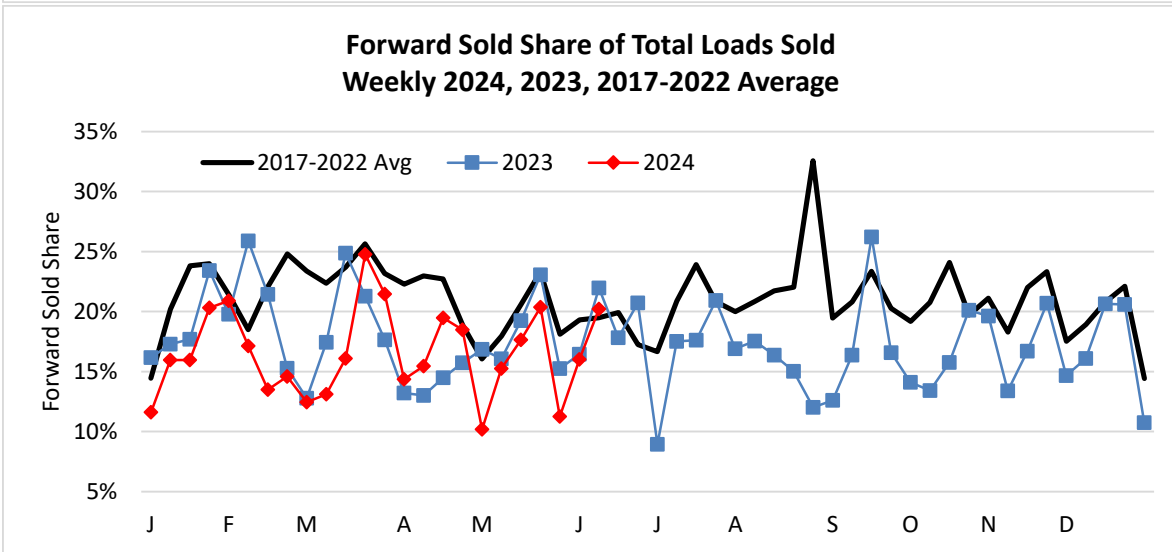
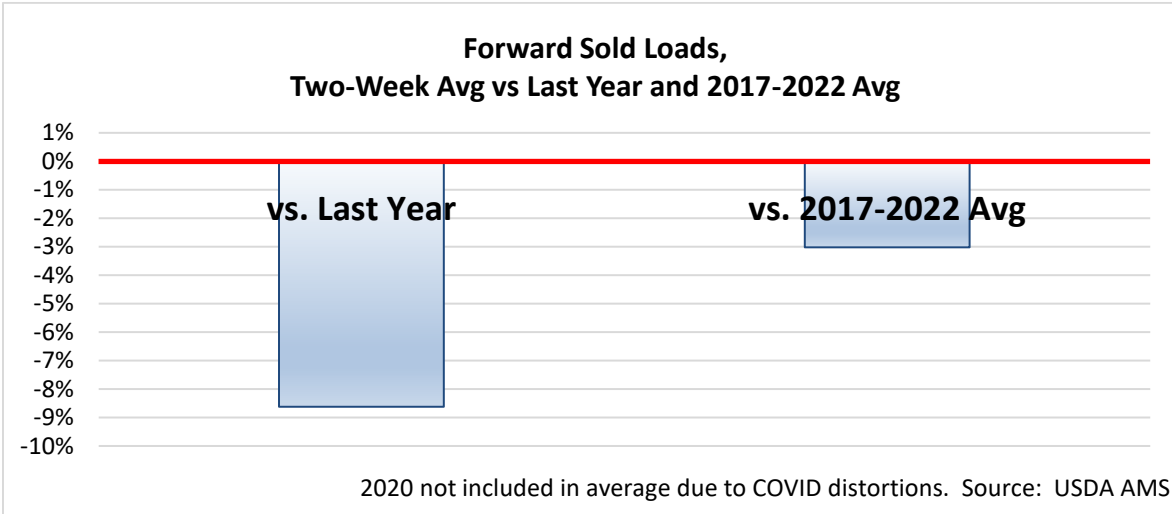
### Packer Sales Trends

The USDA [National Comprehensive Boxed Beef Cutout](#) report [July 1](#) shows:

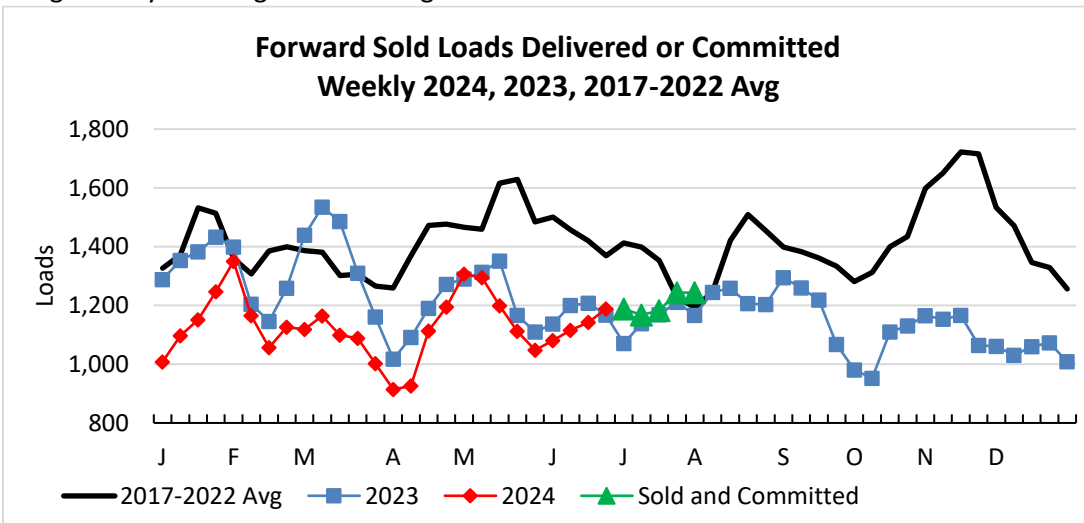
- Packer sales volumes as a share of the previous week's kill are *average* for this time of year. Packers sold a *normal* load count share of the previous week's kill.
- Loads sold were less than last year but above the five year average.



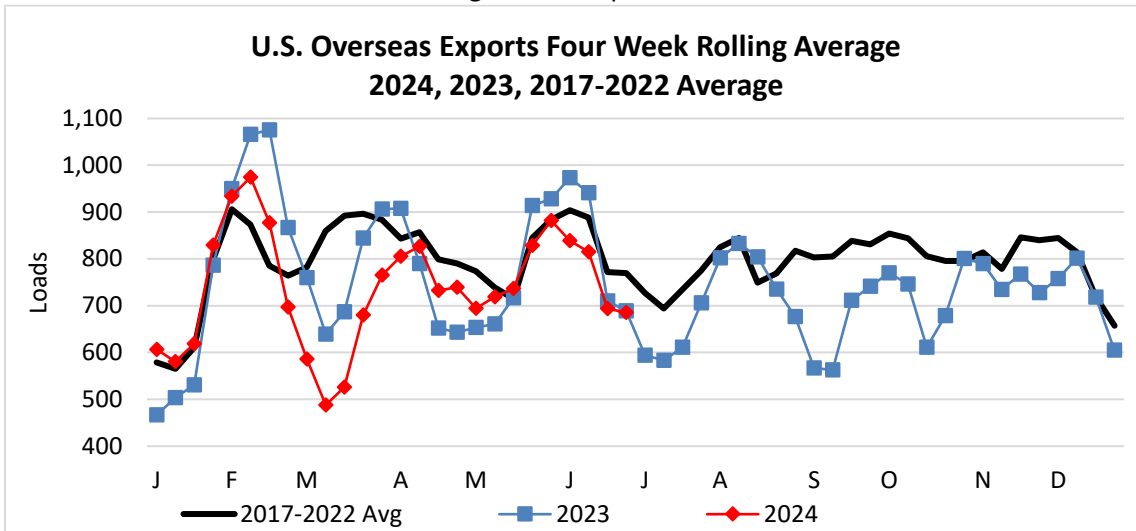
- The two-week average of loads sold ahead (22+ days): -9% vs 2023; -1% vs 2017-2022 avg.
- The forward sold share of total sales has been consistently running below average.



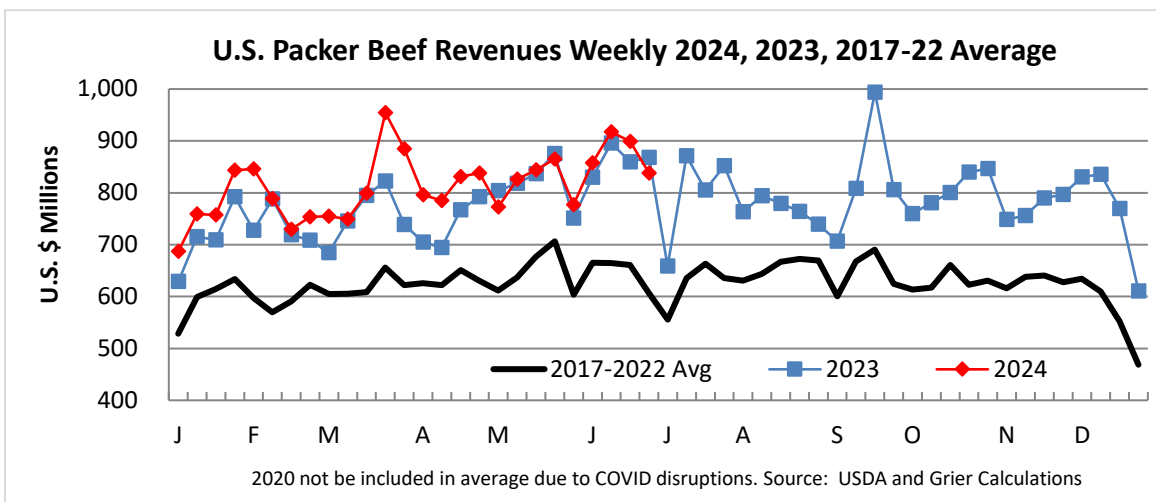
- Forward sold loads committed for delivery for the next four weeks are like last year but are generally trending below average.



- Overseas export sales are similar to last year on a four-week average basis. Overseas exports 11% less than the 2017-2022 average over the past four weeks.

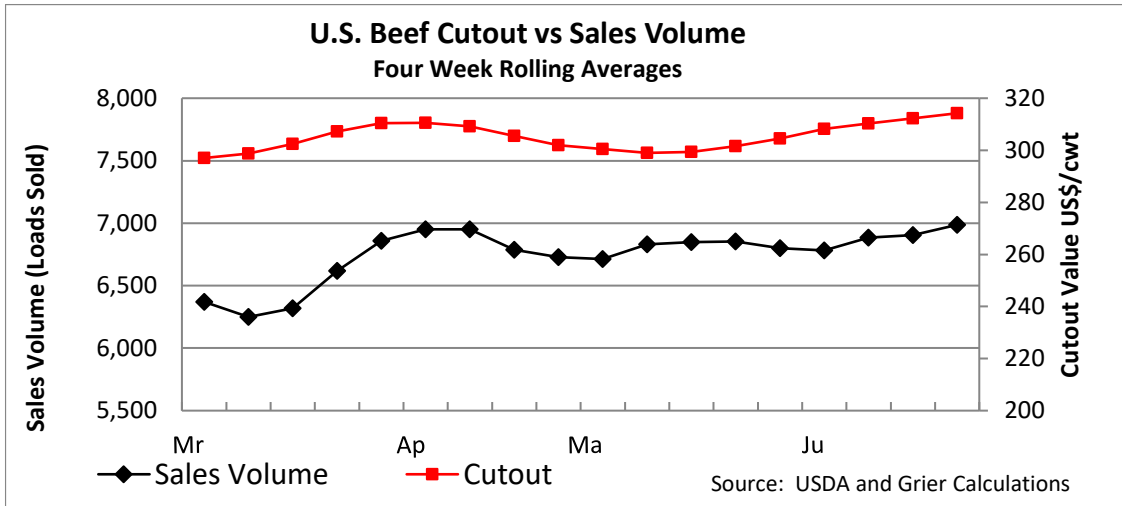


- Total U.S. boxed beef sales revenue as measured by the cutout value and the tonnage moved was about \$838 million last week. That is below last year and well above the 2017-2022 avg.
- Revenues in the past four weeks are running 2% more than the same weeks last year.
- Packer revenues can be a rough approximation of beef demand. Based on that measure, demand is modestly better than last year's very good levels.



The cutout value combined with loads sold can also be examined in another way to test demand strength. The following are points for consideration based on the graph below:

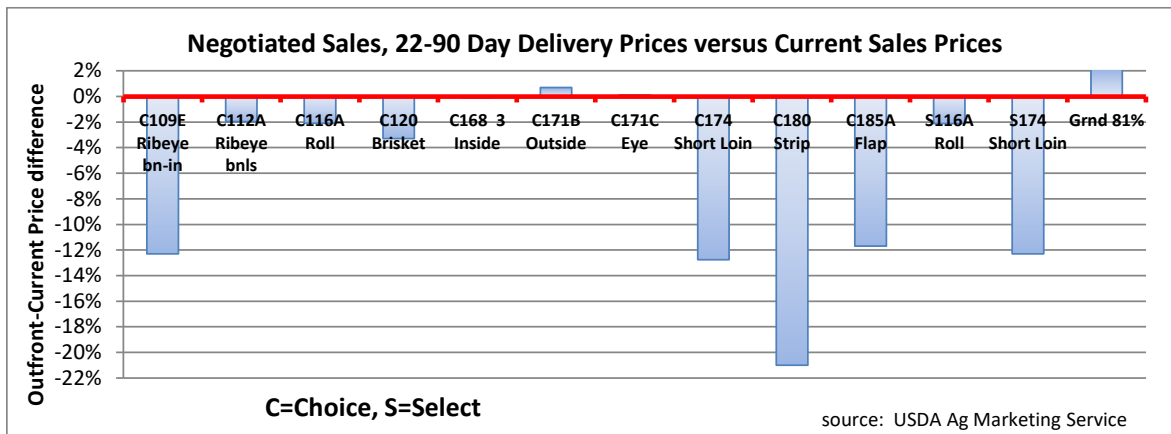
- Weekly sales volumes (loads) have been mostly steady to higher week to week on a four week rolling average basis.
- The cutout has been higher on a four week rolling average basis.
- Steady to higher load counts combined with a higher cutout is a sign of good demand.
- May/June demand is running higher and at an already very high demand level!*



### Out-Front Pricing

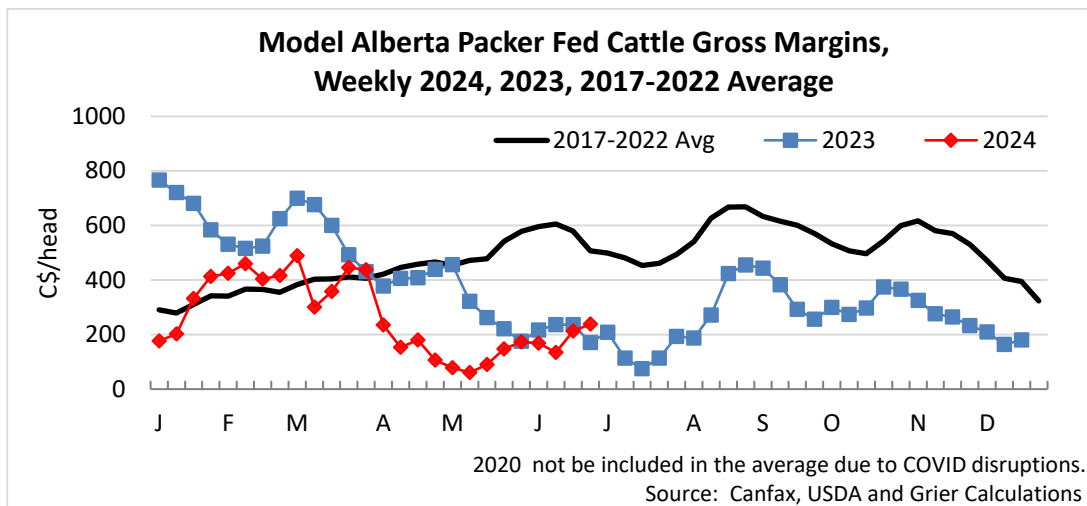
The graph shows the % price difference between U.S. sales for delivery within 22-90 days and the weekly negotiated value for the week ending June 29 (out-front price minus current price).

- Of the 13 out-front trades reported, 9 were priced lower, 1 higher and 2 unchanged.



### Packer Model Gross Margins (before operating costs)

- U.S. model packer gross margins are about US\$205/head versus US\$360 last year.
- Rob Murphy of J.S. Ferraro, puts packer margins underwater to the tune of about \$75/head.
- Alberta model gross margins are estimated at about \$200/head versus C\$200 last year.
- Alberta packer margins continue to be severely poor.



## Canadian Beef Production and Availability

### Cattle Slaughter Prospects

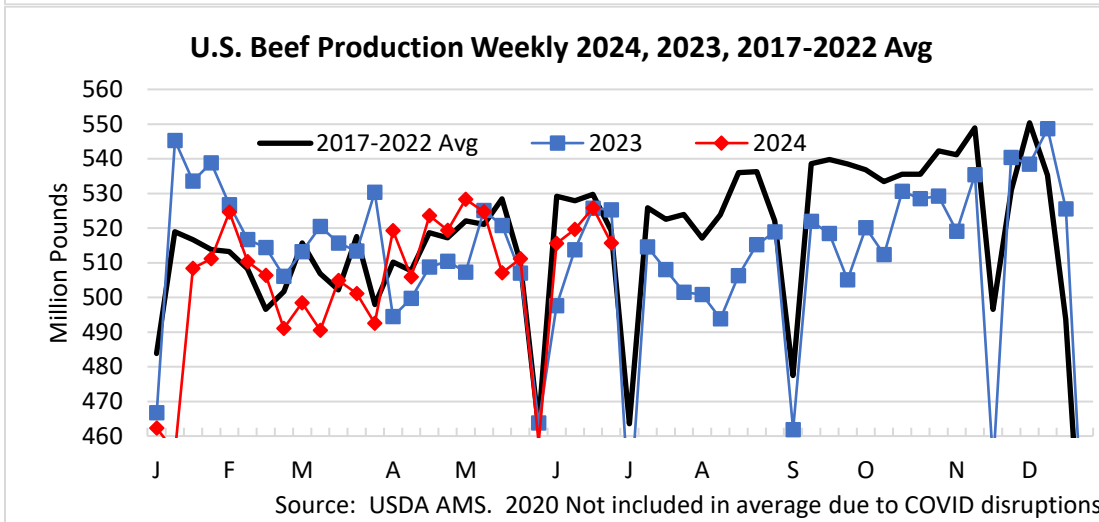
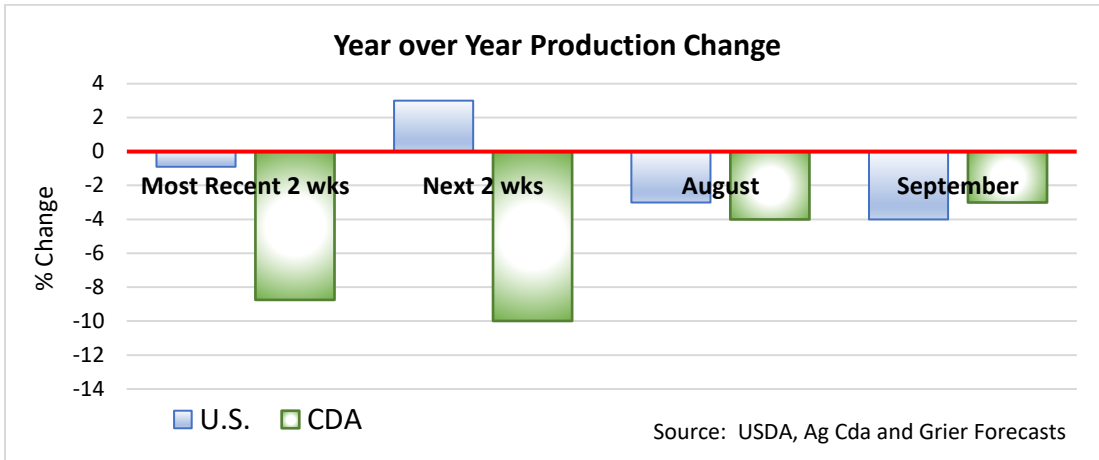
#### Canada

- Fed slaughter is running 12% less than last year over the past four weeks as of June 22 (latest). Fed slaughter is picking up in Canada despite the strike as cattle move west. Fed kills are down likely only about 2-3,000 per week compared to about 5,000 when the strike began. .
- Non-fed slaughter is running 28% less than year ago over the past four weeks ending June 22 (latest). Non-fed kills are also impacted by the strike.
- Fed kills will likely run 5-10% less than last year this week and next assuming no work begins until the following week
- Non-Fed kills will likely decline by 20-25% each week through mid-July due to lower supplies and the Guelph strike.
- Total (fed + non-Fed) kills will be down 10% the next two weeks.
- August could see Canadian kills decline by 3-4% year over year.

#### United States

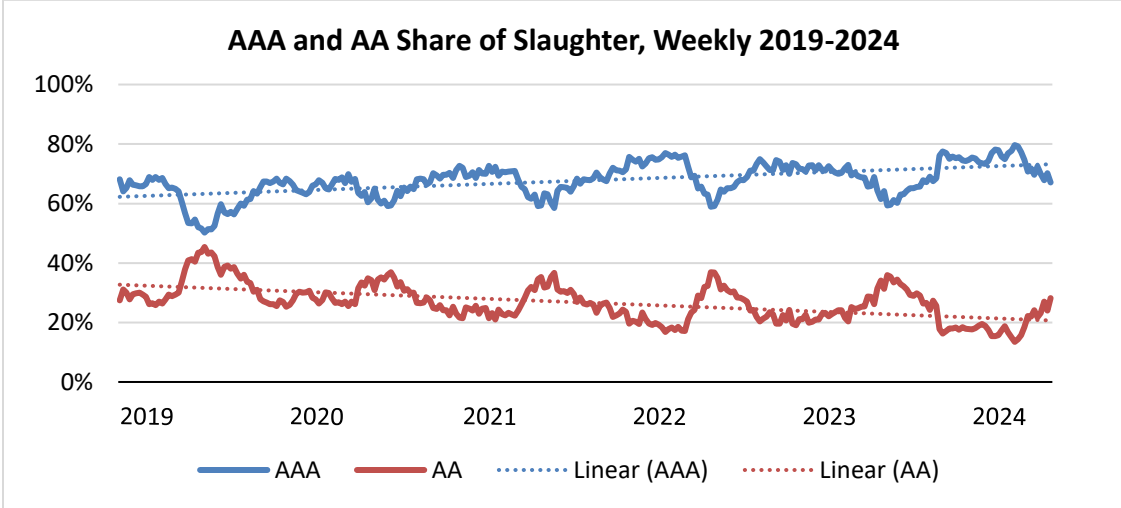
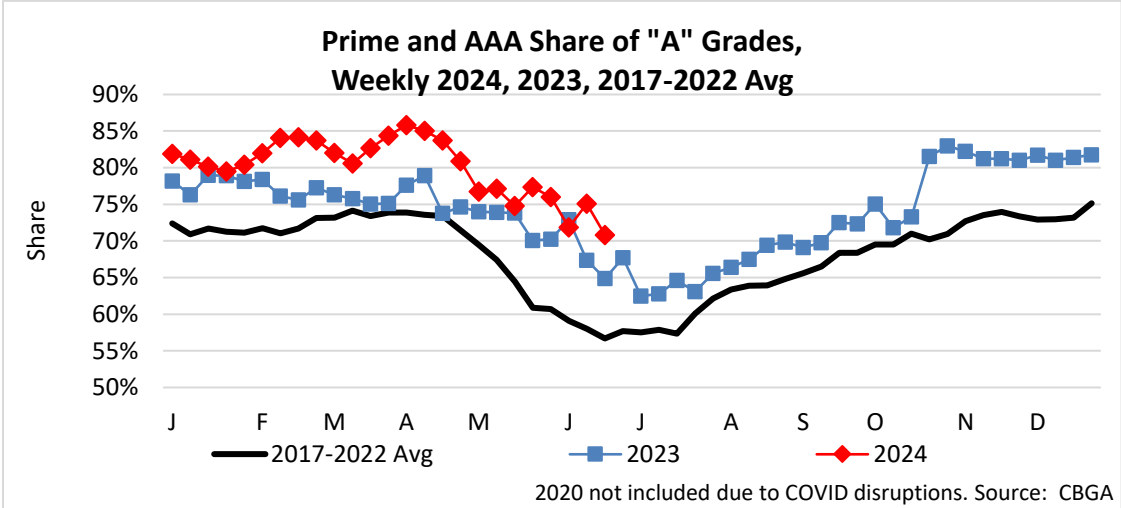
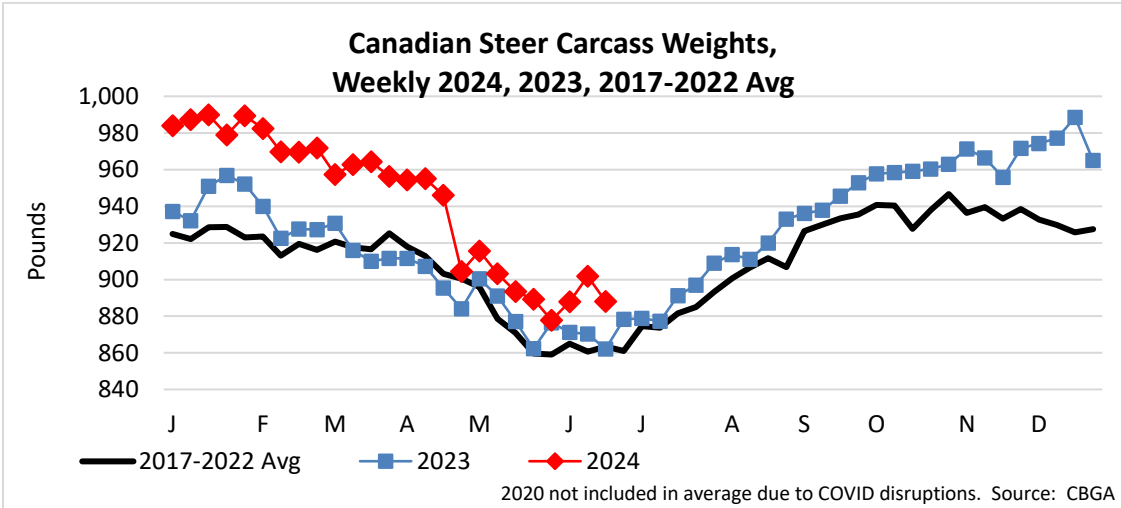
- U.S. fed kills are 1% more than last year over the past four weeks as of June 15 (latest).
- U.S. non-fed kills are 17% less than last year over the past four weeks as of June 15 (latest).
- U.S. fed kills should be steady to 1% lower than last year the next two weeks.
- Non-fed kills should be lower by 10% or more in the next two weeks.
- Total slaughter should be down about 3% in the next two weeks.
- Total U.S. kills should be lower by 2-4% in July and August.





Weekly Canadian A Grade Mix Percent and Steer Wts				
	Prime	AAA	AA	Steer Carcass Wt.
<b>Latest week</b>	4%	67%	28%	888
<b>Latest 4 week avg</b>	5%	69%	26%	889
<b>52 Wk Avg</b>	5%	71%	23%	941
<b>Last Year 4 week avg</b>	4%	65%	30%	870
Canadian Slaughter				
	Steer	Heifer	Cow	Total
<b>Latest week</b>	26,759	19,680	5,980	52,814
<b>Latest 4 week avg</b>	25,047	18,309	6,055	49,753
<b>52 Wk Avg</b>	31,063	18,570	9,152	59,154
<b>Last Year 4 week avg</b>	31,621	16,455	8,493	57,021

Latest week ending June 22, 2024. Source: CBGA



## Beef Outlook Arguments for this Week

### Bullish:

- Beef retail margins are above average.
- Pricing momentum is solid across the cutout.
- Live cattle futures and cash prices are very high.
- Packer inventory appears clean.
- Canadian product is tighter due to the Cargill strike.
- Kills are shortened by the holiday this week.
- Demand has been very good.
- Cargill in Dodge had a production disruption and won't kill until Friday.

### Bearish:

- Overseas sales are sluggish.
- Forward sold loads are declining.
- Outfront prices are lower.
- Beef remains very expensive on a cost basis versus the other two main meats.
- Beef movement at retail is weak.
- The big beef buying days are behind us.
- July demand is typically seasonally weaker than June

## The Market Call for this Week: **STEADY TO HIGHER**

Holiday shortened week plus the loss of a major U.S. plant for a few days, plus good demand means modestly higher prices. **U.S. Call: +2/cwt.**

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