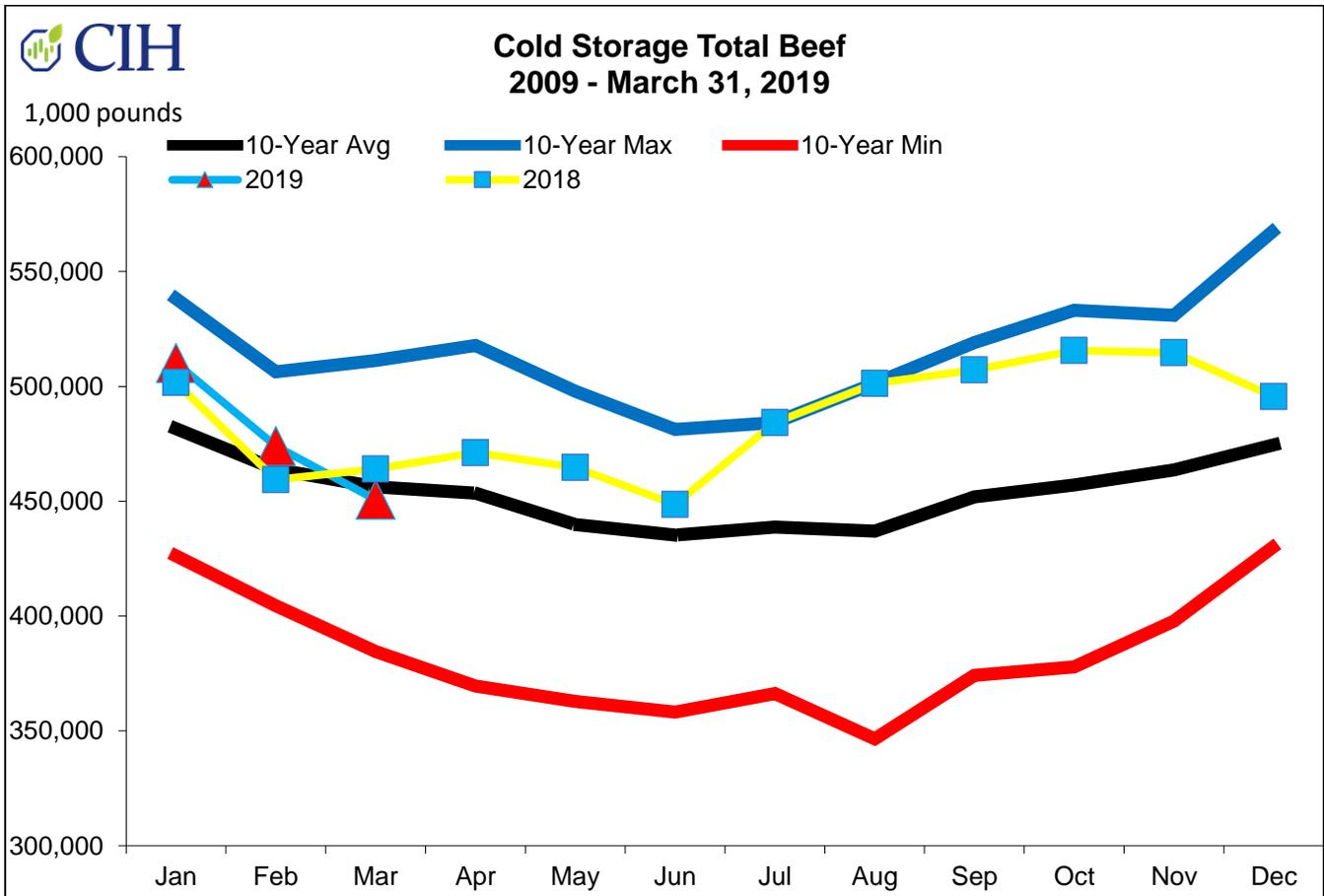


Beef Margin Watch: April



Both live and feeder cattle futures experienced a sharp selloff over the second half of April on massive fund liquidation while corn has also been under pressure, although not nearly to the same extent. Live Cattle prices are down nearly \$10/cwt. from their recent high despite relative strength in both cash trade and cutout values. The choice cutout at \$233.49/cwt. for the week ending April 24 is above both last year's value of \$218.64/cwt. as well as the 10-year average of \$222.74/cwt. The USDA 5-Area Live price of \$126.83/cwt. for the same week was down from \$128.39/cwt. for the week ending April 17, but higher than both last year at \$120.90/cwt. and the 10-year average of \$123.28/cwt. The USDA Cold Storage report reported boneless beef inventories at 420.8 million pounds at the end of March, down 6.7% from February and 1.3% below last year. This compares to an average drawdown between February and March of 2.9% over the past five years. The inventory of bone-in beef cuts at 29.8 million pounds was down 21% from last year and 25% below the five-year average. Both of these figures should be supportive to beef prices and cutout values heading into Memorial Day. Corn prices meanwhile continue to be soft despite widespread rain and wet weather across the U.S. Corn Belt that is delaying planting progress. The USDA reported corn planting at 15% complete, up from 6% last week but below the five-year average of 27% for this point in the season. Notable delays in key states of the Eastern Corn Belt including Illinois and Indiana as well as Minnesota should take on increased attention in next week's report given the forecast through the end of the week. Our clients are using the current weakness in the cattle market to reduce delta and add upside flexibility to prepare for a price recovery.

March Beef Cold Storage



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