

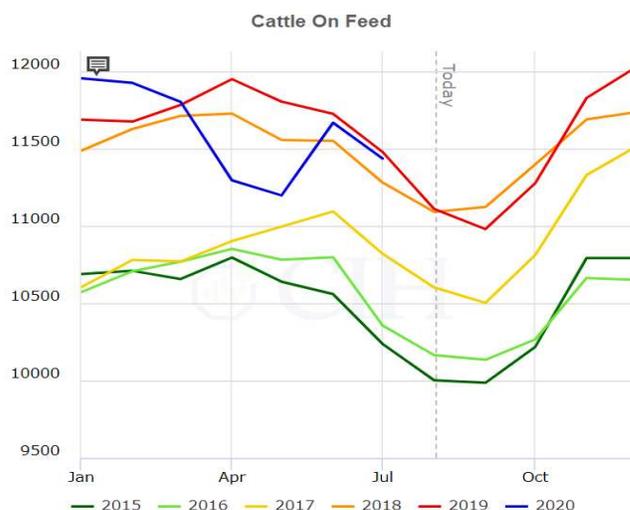
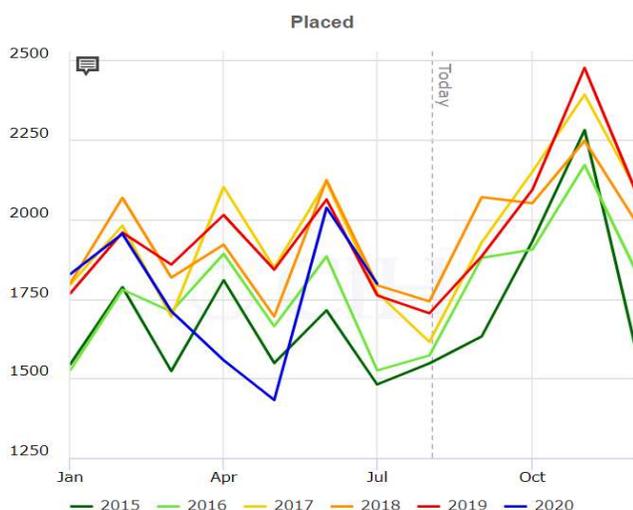
# Beef Margin Watch: July



Cattle futures continued moving higher over the second half of July to the highest price levels since early March, while corn feed costs declined during the period. The market is drawing support from positive export demand, with last week's report the most positive of the past three months. USDA reported export shipments of 18,283 MT, up 16% from a year ago and 19% higher than the four-week average. Net new sales for the week of 29,501 MT were also up 81% from the four-week average and the highest weekly sales volume since May 2018 with strong growth noted to South Korea and Japan. Sales to those destinations of 11,471 MT and 10,550 MT, respectively, were 161% and 146% above the prior four-week average and likely result from Australian slaughter being down 20% from a year ago in recent weeks which has limited export shipments to those markets. USDA released the semi-annual Cattle Inventory report which reflected continued contraction in the beef cow herd. All cattle and calf numbers were even with a year ago while beef cows and the calf crop both dropped by less than 1% from 2019. Notably, dairy replacement cows were unchanged from last year when the market was expecting a 2.4% increase. The survey for this report was conducted before a surge in June milk prices however and it should be noted that there has been a significant reduction in dairy cow slaughter recently which is more than offsetting higher beef cow slaughter and limiting beef production. The USDA Cattle on Feed report showed total July 1 inventory at 11.438 million head, down 0.37% from last year with June placements of 1.798 million head up 2.1% from 2019 and slightly less than the 3.9% increase on average that the market was expecting. Our clients are adding cattle delta on this rally while also evaluating increased feed coverage as corn declines back towards contract lows.

## USDA June Cattle on Feed Summary:

Cattle on Feed Report								Edit	
	2018	2019	2020	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Jun (1,000 head)	2124	1761	1798	102.10%	103.9%	100.1%	107.9%	88.3%	-1.8
Fed Cattle Marketed in Jun (1,000 head)	2056	1943	1969	101.34%	101.1%	100.0%	103.1%	131.3%	0.2
Other Disappearance in Jun (1,000 head)	73	66	62	93.94%	0.0%	0.0%	0.0%	93.9%	93.9
On Feed Jul 1 (1,000 head)	11553	11480	11438	99.63%	99.9%	99.1%	100.7%	98.0%	-0.3



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