

# Beef Margin Watch: July



Live cattle futures continued to trade relatively flat over the first half of July while the corn market weakened in response to improved weather and recent precipitation across previously parched regions of the Northwestern Corn Belt. In the mid- $\$5.00$ /bushel range, December futures are up around 40 cents from recent lows earlier this month and will likely remain rangebound over the near-term heading into the USDA August WASDE report. The July WASDE featured larger new-crop corn ending stocks than the market was expecting at 1,432 million bushels based on yield assumptions unchanged from June at 179.5 bushels per acre when the market anticipated a 1.5-bushel per acre decline on average. While crop conditions improved slightly in recent weekly updates, the market will want to see further confirmation of yield progress in the updated August WASDE that incorporates field samples into yield calculations. Cattle futures meanwhile continue to be supported by strength in beef prices. The U.S. Bureau of Labor Statistics reported that June beef prices climbed 4% from May, with elevated meat prices contributing to the biggest surge in overall consumer prices since 2008. Beef prices have also been steadily strengthening over the past decade. June beef prices were 51% higher than the average retail beef price in 2011. Beef cow slaughter during April and May was up double digits from prior years and tracking close to 2011, a year that experienced significant beef cow liquidation. Drought across western and northern cattle states, especially Regions 8, 9, and 10 may be contributing to increased beef cow liquidation this season. Our clients continue to benefit from recent adjustments to strengthen feed hedges while maintaining a strong delta on cattle hedges.

## USDA July WASDE U.S. Domestic Corn Balance Sheet Summary:

U.S. Corn Supply and Use (MBu)						
Marketing	20-21	21-22		Change		21-22 Pre-Report*
	Jul	Jun	Jul	Jul-Jun		
Area						
Planted	90.8	91.1	92.7	1.6	1.8%	
Harvested	82.5	83.5	84.5	1.0	1.2%	
Yield per Harvested Acre (Bu.)	172.0	179.5	179.5	0.0	0.0%	178.0
Beginning Stocks	1,919	1,107	1,082	-25	-2.3%	
Production	14,182	14,990	15,165	175	1.2%	15,007
Imports	25	25	25	0	0.0%	
<b>Supply, Total</b>	<b>16,127</b>	<b>16,122</b>	<b>16,272</b>	<b>150</b>	<b>0.9%</b>	
Feed and Residual	5,725	5,700	5,725	25	0.4%	
Food, Seed & Industrial	6,470	6,615	6,615	0	0.0%	
Ethanol & by-products	5,050	5,200	5,200	0	0.0%	
Domestic, Total	12,195	12,315	12,340	25	0.2%	
Exports	2,850	2,450	2,500	50	2.0%	
<b>Use, Total</b>	<b>15,045</b>	<b>14,765</b>	<b>14,840</b>	<b>75</b>	<b>0.5%</b>	
Ending Stocks	1,082	1,357	1,432	75	5.5%	1,309
Stocks to Usage Ratio	7.19%	9.19%	9.65%	0.46%		

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