

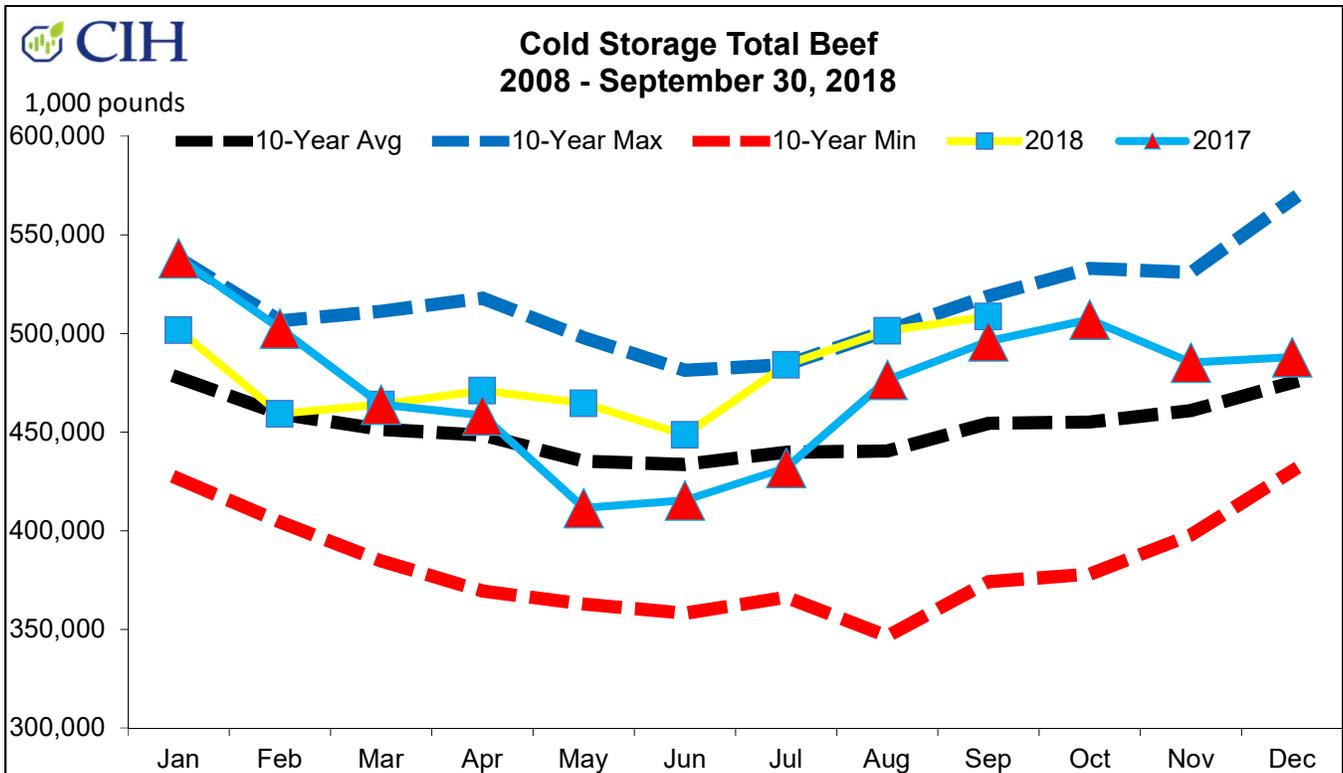
Beef Margin Watch: October



Cattle trade has continued steady and generally range-bound over the second half of October with limited movement in price. The cash market has moved higher recently which may begin to exert more influence on futures as we continue through Q4. USDA's monthly Cattle on Feed report had a bullish tone with September placements well below estimates. The total number of cattle on feed as of October 1 was reported at 11.4 million head, up 5% from last year when the market was expecting a 6.3% increase on average from 2017. September placements of 2.051 million head were down 5% from last year when the market was expecting placements equal to a year ago. Heavier placements earlier in the spring and summer may have led to a reduction during September, and the number of cattle that have been on feed for 120 days or longer still stands at 3.972 million head which is larger than September 1 and 11.5% higher than a year ago. The monthly Cold Storage data likewise was construed as friendly. Even though beef inventories increased, the build was slower than expected. Total beef inventories in cold storage on September 30 were reported at 508.6 million pounds, up 2.5% from last year and 8.8% higher than the five-year average. Despite the increase, the beef stocks build between August and September has averaged 6.2% over the past five years which would seem to indicate strong demand. On the feed side, corn prices have been under pressure recently as harvest advances, with USDA reporting harvest progress at 63% complete through the week ending October 28 versus 49% last week and 52% last year. Harvest progress is exactly in line with the five-year average for this point in the season. With limited price movement recently, our clients have been waiting to add delta with higher trade in cattle while maintaining strong feed hedges.

Number of Cattle on Feed, Placements, Marketings, and Other Disappearance on 1,000+ Capacity Feedlots - United States: October 1, 2017 and 2018

Item	Number		Percent of previous year (percent)
	2017 (1,000 head)	2018 (1,000 head)	
On feed September 1.....	10,504	11,125	105.91%
Placed on feed during September.....	2,150	2,051	95.40%
Fed cattle marketed during September.....	1,783	1,719	96.41%
Other disappearance during September.....	58	57	98.28%
On feed October 1.....	10,813	11,400	105.43%



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