

Beef Margin Watch: October

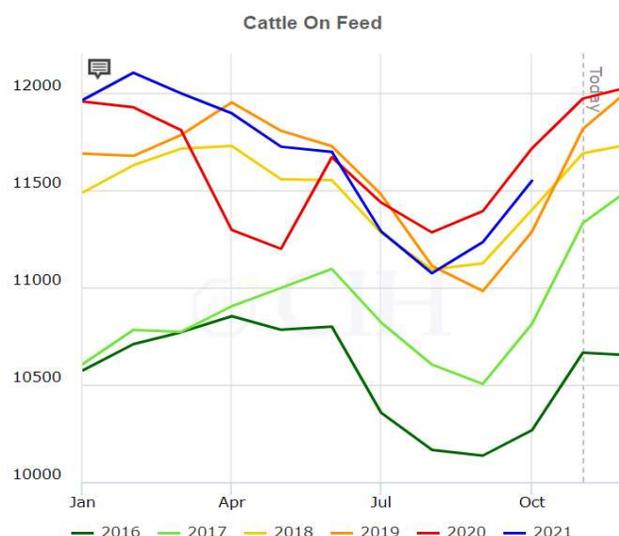
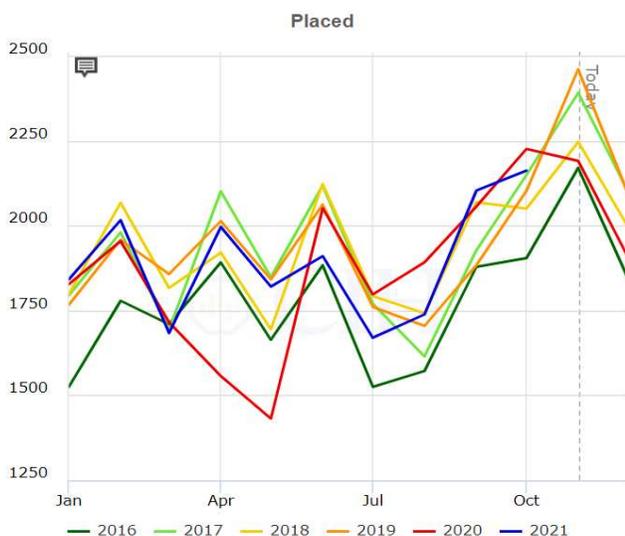


Live cattle futures held steady over the second half of October while feeder cattle prices slumped as corn costs increased. Fed cattle prices have been held in check despite strength in beef cutout values as the supply of heavy cattle and labor issues at packing plants continues to pressure the cash market. USDA's October Cattle on Feed report showed the total supply of cattle on feed on October 1 at 11.55 million head, down 167,000 from last year but still 262,000 higher than 2019. The supply of cattle on feed longer than 120 days was estimated at 4.103 million head, 3.2% higher than last year and 267,000 head or 7% higher than the five-year average. Inventory on feed more than 150 days was calculated at 2.259 million head, 13.6% higher than last year and 22% above the five-year average. September placements totaled 2.163 million head, down 2.9% from last year when the market on average was expecting a 1.4% increase from 2020. Larger placements in August and better feeding economics at that time may have pulled cattle forward and limited September placements. USDA reported total beef in Cold Storage on September 30 at 435.3 million pounds, down 6.0% or 27.7 million from 2020 with boneless beef stocks of nearly 400 million pounds down 6.5% while beef cuts of 35.4 million pounds rose 0.7% from last year. Corn prices have firmed recently as strong spot demand from the ethanol sector is limiting pressure on the cash market as harvest has reached 75% complete. In addition, weather concerns in South America and soaring fertilizer costs for the upcoming planting season are supporting the back end of the curve. Our clients have benefited from having stronger corn delta in feed hedges while retaining flexibility on cattle hedges.

Cattle on Feed Report

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Cattle on Feed Report									Edit
	2019	2020	2021	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed In Sep (1,000 head)	2103	2227	2163	97.13%	101.4%	98.8%	103.3%	102.8%	-4.3
Fed Cattle Marketed in Sep (1,000 head)	1738	1846	1789	96.91%	97.2%	97.0%	98.9%	94.9%	-0.3
Other Disappearance in Sep (1,000 head)	59	58	58	100.00%	0.0%	0.0%	0.0%	98.3%	100.0
On Feed Oct 1 (1,000 head)	11288	11717	11550	98.57%	99.3%	98.9%	99.9%	102.8%	-0.7



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