

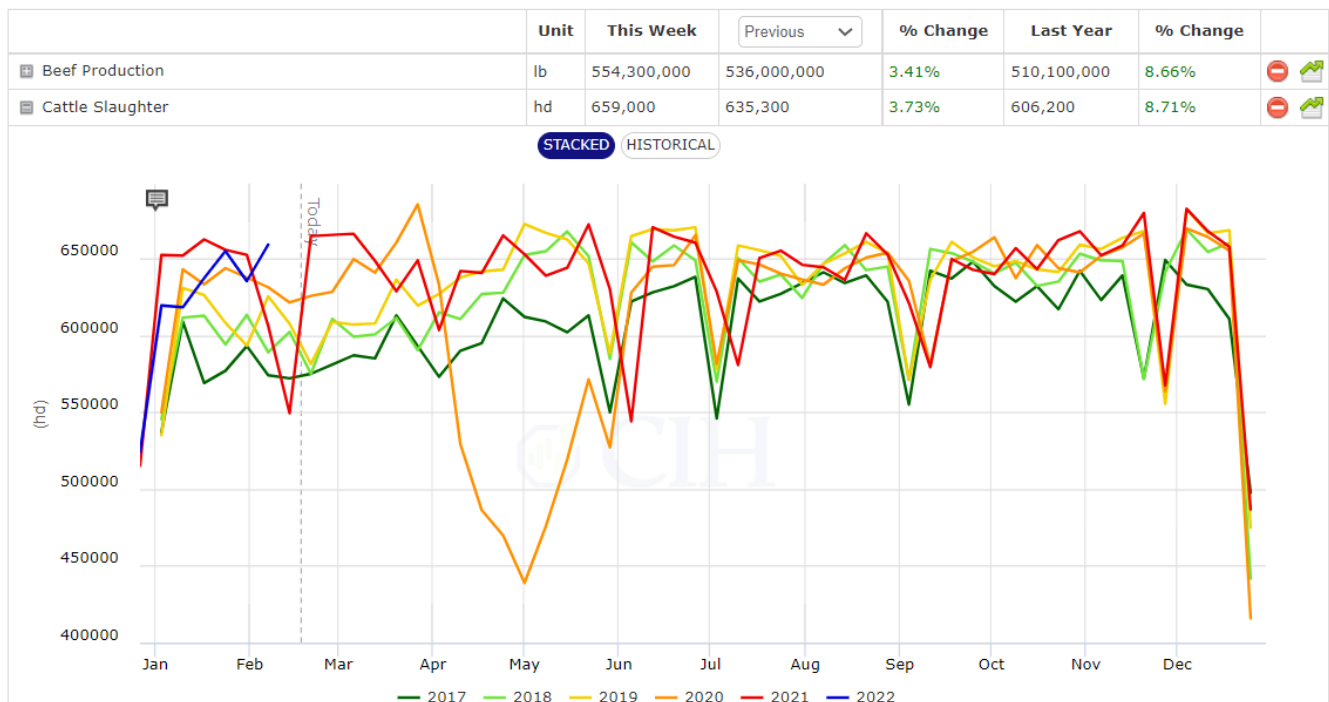
# Beef Margin Watch: February



Live cattle futures moved higher over the first half of February as the market continues to digest the largest decline in the U.S. beef cow herd in 8 years. Demand remains robust. The 5 area cash market is at its highest level for this time of the year since 2015. Cattle slaughter is 3 percent lower year-to-date but has picked up in recent weeks as Covid-related absenteeism at processing plants and weather events limited fed cattle slaughter throughout January. For the week ending February 13, cattle slaughter was 8.7 percent higher than the same week last year. Dressed weights are in line with year ago levels. The beef market remained under pressure as increased production continues to weigh on cutout values. Despite recent weakness, the choice and select cutout remain at their highest levels for this point in the year since at least 2013. Domestic beef price inflation has been rampant based on the latest CPI data. Choice beef retail price inflation was up 19% in January. In addition, January fast food price inflation was up 8% from a year ago while a 7.1% increase was reported for full-service restaurants as rising food costs, a tight labor market and increased operational expenses have all contributed to increased inflation for dining establishments. Despite elevated price levels, international demand also remains strong. Net export sales of 23,000 MT for the week ending February 10 were up 18 percent from the previous week and 38 percent from the prior 4-week average. Sales were particularly strong to South Korea and Japan. Although USDA's February WASDE report featured smaller cuts to South American crop production relative to trade expectations, feed markets remain supported by ongoing drought issues in the Southern Hemisphere. Our clients continue to maintain strong cattle and feed hedge delta while monitoring opportunities to make strategic adjustments on existing positions.

## USDA Weekly Cattle Slaughter:

### Weekly Slaughter



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