

Beef Margin Watch: February



Cattle futures have begun to consolidate recent strength following a sharp rally over the second half of January into early February while the corn market dropped to fresh three-year lows. USDA released both the monthly WASDE report as well as their annual baseline in the Outlook Forum which both suggest ample corn availability into the next crop year. In the February WASDE report, corn FSI use was lowered 10 million bushels for a similar increase to projected ending stocks while the Outlook Forum projected higher ending stocks for 2024-25. USDA estimated corn plantings to decline this season by 3.6 million acres from last year to 91 million, although a return to trendline yield is expected to result in a crop exceeding 15 billion bushels. For the current crop year, USDA projects corn production to exceed total use by 787 million bushels or 5.4%, the largest gap between supply and demand in 20 years. For the 2024-25 crop year, USDA projects an additional 335-million-bushel gap between corn production and total use, with ending stocks estimated at 2.532 billion bushels for a stocks/use ratio at 17.2% which would likewise be the largest in 20 years. Beef packers have faced tighter margins recently and have been eliminating Saturday slaughter in response to diminished supply availability. Fed cattle slaughter last week was estimated at 483,000 head, down from 502,000 the prior week and 1.1% lower than last year. Cattle weights have also declined sharply in the past three weeks, removing about 3% of production as a result. Wholesale beef prices have held up well, particularly for end cuts which is helping to support the cutout as lean beef availability for grinding is tight. Our clients have benefited from being positioned for a recovery in cattle futures while maintaining protection on their inventory.

USDA 2024 Outlook Forum Corn Balance Sheet:

	2021/22	2022/23	2023/24 1/	2024/25 2/
Area planted (mil. ac.)	92.9	88.2	94.6	91.0
Area harvested	85.0	78.7	86.5	83.1
Yield (bu./ac.)	176.7	173.4	177.3	181.0
Production (mil. bu.)	15,018	13,651	15,342	15,040
Beginning stocks	1,235	1,377	1,360	2,172
Imports	24	39	25	25
Supply	16,277	15,066	16,727	17,237
Feed & residual	5,671	5,487	5,675	5,750
Ethanol 3/	5,320	5,176	5,375	5,400
Total food, seed & industrial	6,757	6,558	6,780	6,805
Total domestic use	12,427	12,045	12,455	12,555
Exports	2,472	1,661	2,100	2,150
Total use	14,900	13,706	14,555	14,705
Ending stocks	1,377	1,360	2,172	2,532
Stocks/use (percent)	9.2	9.9	14.9	17.2
Season-avg. farm price (\$/bu.)	6.00	6.54	4.80	4.40

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