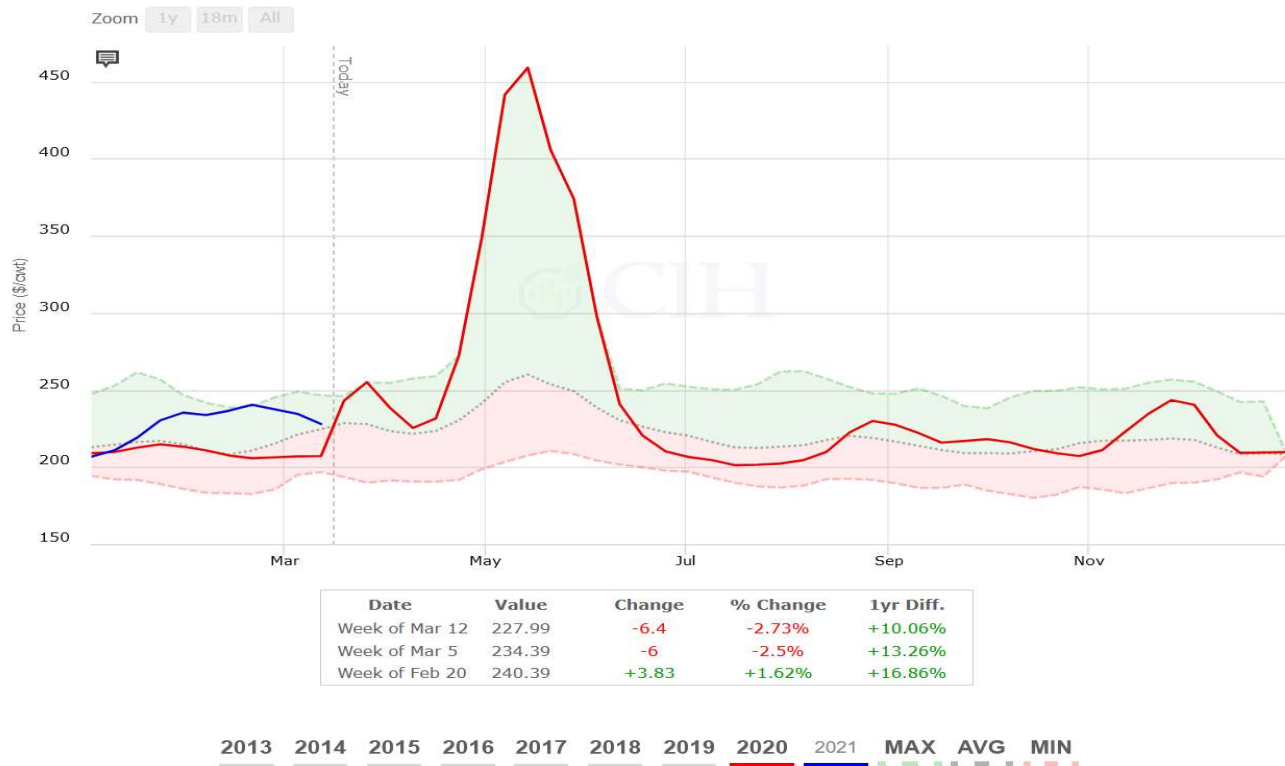


Beef Margin Watch: March



Live cattle futures have been trending higher with the exception of the spot April contract that has been under pressure since the middle of February. While heavy front-end supplies continue to pressure nearby futures, demand remains very strong. The choice beef cutout value has posted impressive gains so far this year, with February running 2% to 16% over 2020 on a weekly basis. Recent disruptions from late winter storms have caused cutout to ease in the past two weeks, but demand remains impressive. The all-fresh retail beef price in February of \$6.30/lb. was up \$0.37 or 6.2% from last year, up 0.2% from January, and the highest level since August 2020. Weekly cattle slaughter through the first week of March is basically level from last year, but heavier dressed carcass weights have caused beef production to increase 2.0% from 2020 year-to-date through the first week of March. Despite this, the choice boxed beef cutout value has held up around \$230/cwt. in recent weeks and has reached over \$240/cwt. a couple weeks ago. U.S. beef exports in January totaled 1,402 MT, slightly higher than a year ago. While exports to a number of key markets including Mexico and Japan were below a year ago, strong growth to both South Korea and China helped to offset that. Exports to South Korea at 4,000 MT were up 24% from a year ago while exports of 7,863 MT were up significantly from only 876 MT last year. Strong February exports to China were also noted in weekly data, despite the end of the Lunar New Year holiday. Corn prices are trading sideways with the market seeking further direction from the USDA Prospective Plantings report. Our clients have benefited from recent adjustments to add delta to cattle hedges while maintaining strong protection against upside feed price risk.

USDA Boxed Beef Choice Cutout Weekly Summary:



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