

# Beef Margin Watch: May



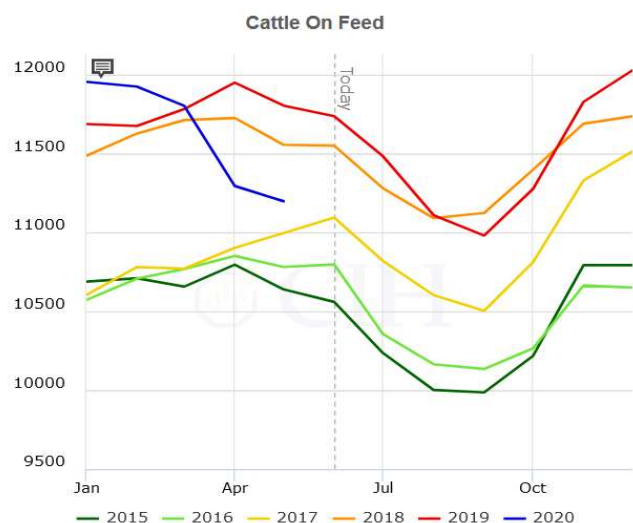
Cattle prices have trended mostly sideways since the middle of May, confined to a tight trading range with limited feature. USDA released the May Cattle on Feed report, with the May 1 inventory at 11.2 million head, down 5.1% from last year and in line market expectations. April placements of 1.432 million head were down 410,000 or 22.3% from a year ago, as deteriorating margins and uncertain forward demand continued to limit spring placements. Cattle that typically would have gone on feed during March and April were kept outside of feedlots as packing plants shut down due to COVID-19 limiting beef processing. The cattle supply on April 1 of 4.783 million head that had been on feed 120 days or longer was up 401,000 or 9.2% from last year reflecting the backlog of cattle caused by harvesting disruptions. Increased beef supplies have been pressuring the choice beef cutout, which has dropped from \$459.04/cwt. in mid-May to \$341.15/cwt. currently. The supply of beef in Cold Storage at the end of April totaled 490.0 million pounds, up 13.9% from a year ago and 6.0% higher than the five-year average. Boneless beef inventories of 459.2 million pounds were up 15.8% from last year, reflecting the slowdown in foodservice demand, although there are encouraging signs on the horizon. Based on data from Open Table, states that have begun to relax quarantine measures and allow for dine-in service at restaurants are reporting a 40%-50% recovery in capacity which bodes well for recovering lost demand as other states begin to reopen as well. Our clients continue to position cattle hedges for greater upside price flexibility further out on the curve and have recently strengthened feed coverage as ethanol production recovers and uncertainty lingers over the current growing season.

## USDA May Cattle on Feed Summary:

### Cattle on Feed Report

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Cattle on Feed Report								Edit	
	2018	2019	2020	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Apr (1,000 head)	1921	1842	1432	77.74%	77.1%	71.8%	86.7%	92.0%	0.6
Fed Cattle Marketed in Apr (1,000 head)	1840	1928	1459	75.67%	74.7%	70.0%	82.7%	72.6%	1.0
Other Disappearance in Apr (1,000 head)	67	60	70	116.67%	0.0%	0.0%	0.0%	114.8%	116.7
On Feed May 1 (1,000 head)	11729	11807	11200	94.86%	95.0%	94.1%	95.7%	99.1%	-0.1



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