

Beef Margin Watch: May



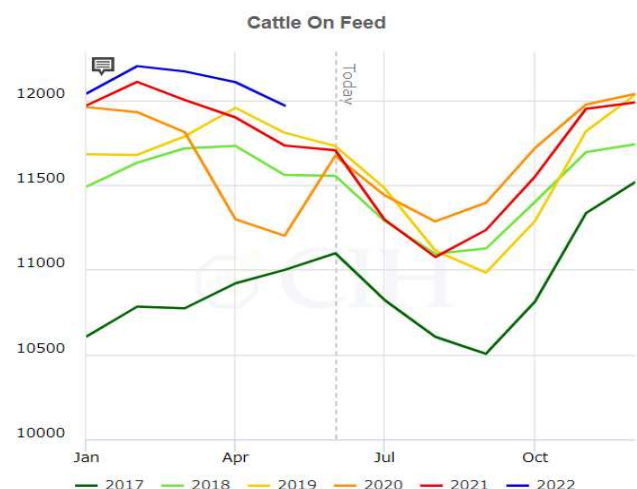
Both cattle and corn futures markets moved lower over the second half of May with weak fundamental trends weighing on market sentiment. USDA reported total inventories of beef in Cold Storage at the end of April at 531.7 million pounds, up 18.5% from last year and 16.2% above the most recent five-year average. In addition, beef inventories only declined 0.8% from March compared to the average 3% drawdown between March and April over the previous five years. Most of the increase was due to boneless beef inventory which was up 16.7% from last year and 14.5% higher than the five-year average. This may be due to higher cow slaughter in the processing mix. Total cattle slaughter over the past four weeks has been 52,000 head or 2% higher than a year ago with more cows coming to market increasing the supply of grinding beef. USDA reported total Cattle on Feed May 1st at 11.967 million head, up 2% from last year and a record high for the month. Placements of 1.809 million head were down 0.9% from last year, but much larger than the 2.5% average decline from 2021 expected pre-report. Cattle on feed over 120 days continued to climb and was the third consecutive month over 4.5 million head. Cash cattle prices have remained firm despite the large number of head on feed, particularly heavier weight cattle. Export demand has been solid recently which may be helping to support prices. Beef export sales last week were over 20,000 MT for the third week in a row, with strong shipments to both Japan and South Korea supporting exports and sales of 2,465 MT to China 42% higher than the most recent four-week average. Our clients continue to evaluate crush opportunities as well as potential strategic adjustments on existing positions.

USDA May Cattle on Feed Summary:

Cattle on Feed Report

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Cattle on Feed Report								Edit	
	2020	2021	2022	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Apr (1,000 head)	1432	1825	1809	99.12%	96.5%	93.6%	97.8%	90.9%	2.6
Fed Cattle Marketed in Apr (1,000 head)	1459	1936	1893	97.78%	97.9%	97.7%	98.0%	94.7%	-0.1
Other Disappearance in Apr (1,000 head)	70	55	54	98.18%	0.0%	0.0%	0.0%	101.9%	98.2
On Feed May 1 (1,000 head)	11200	11731	11967	102.01%	101.5%	101.2%	101.8%	98.9%	0.5



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