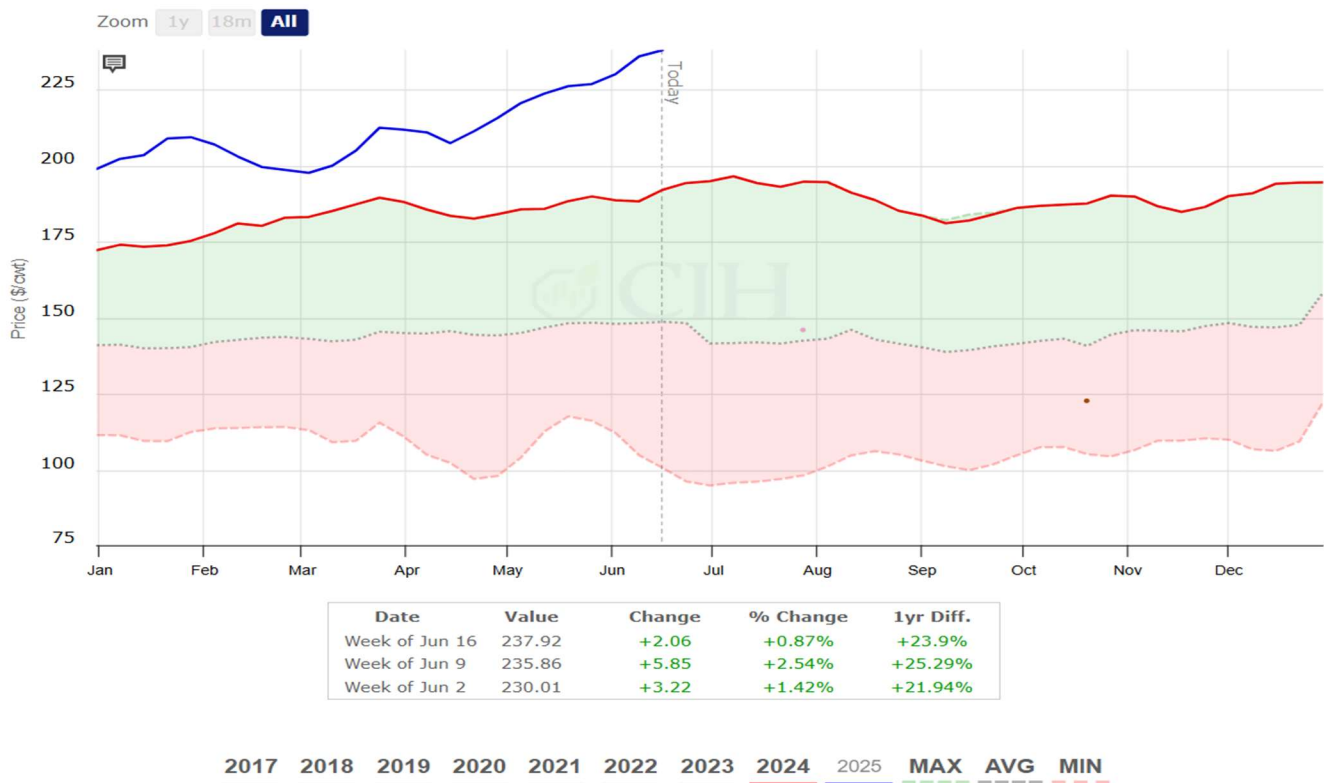


Beef Margin Watch: June



Cattle futures continued to move to new contract highs over the first half of June as ongoing tight cattle supplies provide support to the market. Last week, the 5-Area live cash cattle fed price of \$237.92/cwt. was a new all-time high even adjusting for inflation, up 0.9% from a week ago and 23.9% above last year. The Choice Beef cutout price of \$373.67/cwt. was up 2.2% from the prior week and 17.4% above a year ago, but while packers are raising prices and have had success extracting value from less expensive cuts like chucks, rounds and ground beef compared to higher value items like ribeyes and tenderloins, margins are deeply in the red and a difficult environment for packers who must delicately balance reduced plant shifts and maintaining commitments to major customers. Since the last week of August, gross packer margins have averaged around \$150/head, well below the \$300+ to stay profitable. USDA's June WASDE report further revised down projected 2025 beef production by 65 million pounds to 26.425 billion, 2.3% below last year to reflect the recent decline in fed cattle slaughter. Higher fed cattle weights of more than 3% above a year ago through May have partially offset lower slaughter runs, and this trend may help to offset much of the decline in slaughter through Q3. Another factor has been increased imports with USDA increasing their estimate for 2025 by 115 million pounds from the May projection due to the surge in shipments from Australia and Brazil during March and April. If demand falters during Q3 as domestic spending slows down with the start of the new school year, it may prove difficult for both cattle and beef prices to maintain current levels. Our clients continue to maintain cattle hedges on new inventory with flexible strategies given ongoing tight market supplies.

USDA 5-Area Live Fed Cattle Cash Report:



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