

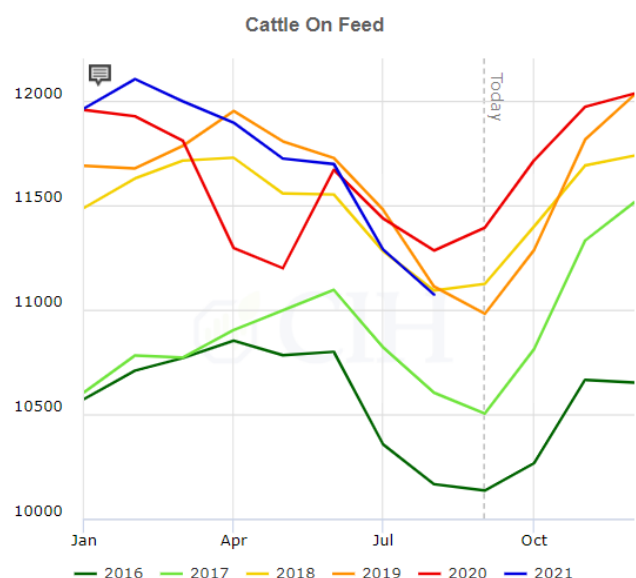
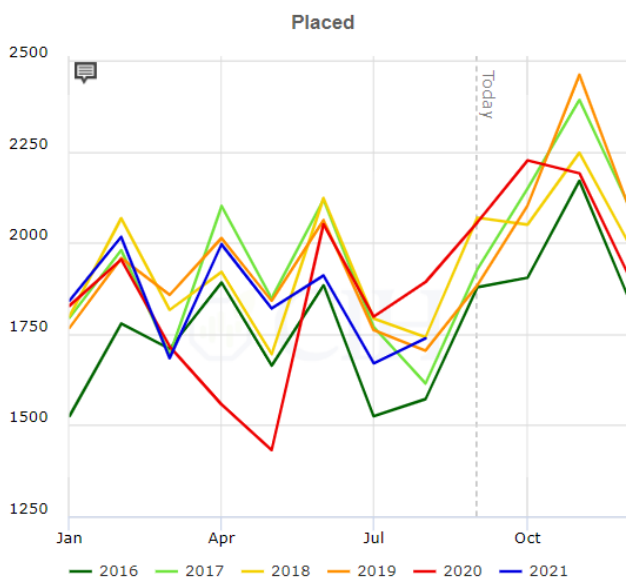
Beef Margin Watch: August



Live cattle futures traded on either side of unchanged as the market remains well supported by the beef cutout while recent export shipments have slowed. Net beef export sales for the week ending August 19 (the most recent week for which data is available) were down 6 percent from the previous week and down 33 percent from the prior 4-week average. Increases were primarily for Japan, South Korea, and China. Shipments were down 5 percent from the previous week and 4 percent from the prior 4-week average. USDA released its monthly *Cattle on Feed* report on August 20. The impact of higher feed costs was reflected in the shift away from lighter placements and toward heavier placements which require less time on feed. July placements of heavy cattle (900 to 999 pounds) were about 5 percent higher than a year ago. Placement of cattle under 700 pounds were 15 percent below a year ago. Higher calf costs and a lower placement rate implies the possibility of a smaller calf crop than implied by the July 1 inventory report from USDA NASS. July 2021 marketings were 4.5 percent lower July 2020. This was in line with official Federal Inspection slaughter numbers for the month of July, with steer and heifer slaughter lower 4.5 percent from July 2020. USDA released on August 23 its monthly *Cold Storage* report, providing insight into month-end inventory levels in public and private cold storage warehouses. Total red meat supplies in freezers on July 31 were slightly higher than June 30 but 8 percent lower than a year ago. Beef inventories were slightly lower than the previous month and 9 percent below a year ago. July 31 stocks were 12 percent below the 5-year average. Beef cold storage typically bottoms out in May but end users are heading into the fall with limited stock on hand and having to source more product from the open market. Boxed beef prices continued higher through the end of the month but appear to have lost some of its prior momentum. Historically, the beef market sets a seasonal high during the last part of August. Our clients continue to benefit from recent adjustments to strengthen feed hedges while maintaining a strong delta on cattle hedges.

Cattle on Feed Report

Cattle on Feed Report								Edit	
	2019	2020	2021	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Jul (1,000 head)	1705	1893	1739	91.86%	93.2%	90.7%	95.5%	104.1%	-1.3
Fed Cattle Marketed in Jul (1,000 head)	2002	1990	1900	95.48%	96.5%	95.2%	97.0%	94.0%	-1.0
Other Disappearance in Jul (1,000 head)	71	57	55	96.49%	0.0%	0.0%	0.0%	96.5%	96.5
On Feed Aug 1 (1,000 head)	11112	11284	11074	98.14%	98.3%	97.7%	98.8%	98.1%	-0.2



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