

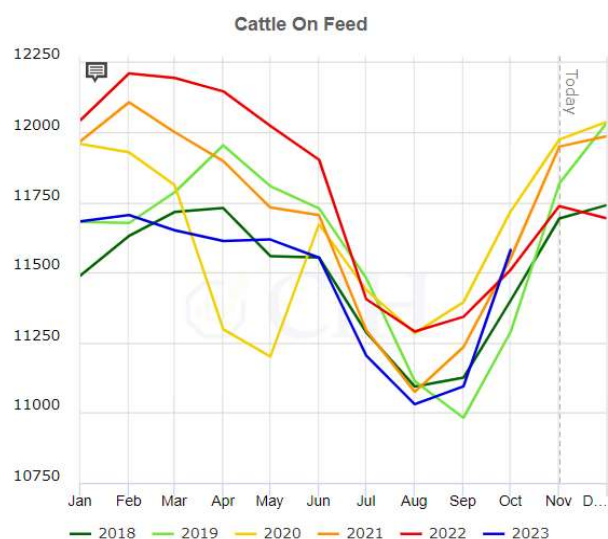
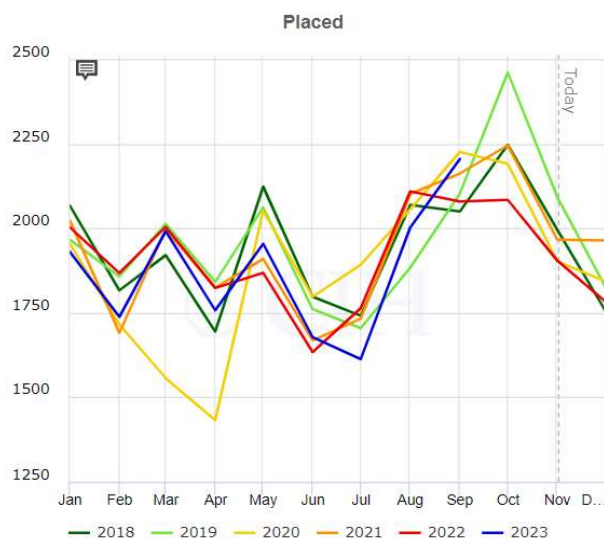
Beef Margin Watch: October



Cattle futures dropped sharply over the second half of October following a bearish monthly Cattle on Feed report while corn prices continued to retreat as harvest progress advances. USDA reported much higher placements last month than the market was expecting, sending cattle futures sharply lower following the report although the market has since recovered those losses. September placements of 2.206 million head were up 6.06% from last year and outside the range of pre-report estimates between 95.9% to 104.8% of a year ago. The total inventory of cattle on feed as of October 1 was pegged at 11.58 million head, 0.62% above last year versus the average estimate of down 0.3% from 2022. USDA's latest report also detailed quarterly data on the breakdown of on-feed supplies, with total heifers on feed as of October 1 at 4.365 million head, up 60,000 or 1.3% from a year ago. The ratio of heifer inventory to total on feed supply as of October 1 was 40%, the highest since record levels in 2001 and not yet indicative of herd rebuilding. USDA also released the Cold Storage report that pegged total beef inventories of 420.2 million pounds at the end of September, down 20.1% from last year and 12.6% below the five-year average but up 6.3% from August versus the average inventory build of 2.4% over the past five years. While the cold storage data may be construed as bearish given the month-over-month inventory build, it may also indicate that end users are using physical hedges to protect against the possibility of higher prices later in the year. Our clients have taken advantage of the recent sharp break in cattle prices to make strategic adjustments to existing positions while continuing to monitor forward crush and spread opportunities.

USDA October Cattle on Feed Report Summary:

Cattle on Feed Report								Edit	
	2021	2022	2023	Actual	Avg Est	Low Est	High Est	Previous Month	Diff From Est
Placed On Feed in Sep (1,000 head)	2163	2080	2206	106.06%	101.0%	95.9%	104.8%	110.1%	5.1
Fed Cattle Marketed in Sep (1,000 head)	1789	1860	1663	89.41%	90.4%	89.5%	91.5%	88.3%	-1.0
Other Disappearance in Sep (1,000 head)	58	53	57	107.55%	0.0%	0.0%	0.0%	103.6%	107.5
On Feed Oct 1 (1,000 head)	11550	11509	11580	100.62%	99.7%	99.0%	100.3%	104.4%	0.9



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