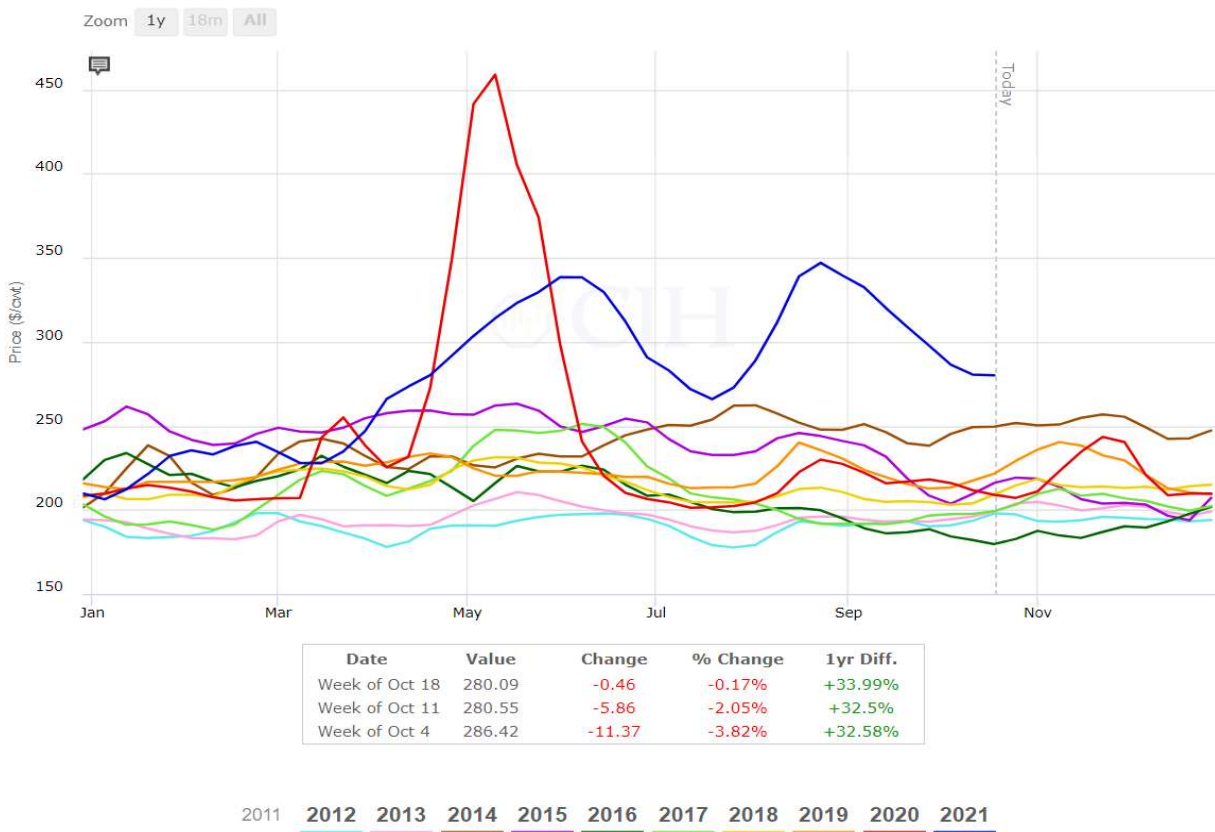


# Beef Margin Watch: October



Live cattle futures firmed over the first half of October while feed costs moderated, helping to support cattle feeding margins. A slowdown in cattle slaughter and beef production have been supportive for cattle futures, with data from last week showing slaughter down 2% from a year ago and beef production down 3.6% from a combination of reduced slaughter and lower harvest weights. The choice beef cutout has stabilized around \$280/cwt. after dropping about 20% from the pre-Labor Day peak just below \$350/cwt. in the third week of August. Despite this, historically elevated beef prices may be rationing demand which could pose problems later in Q4 after holiday demand begins to ebb. Forward sales of beef for delivery 22-60 days out last week were 27% lower than a year ago and 42% lower than the same week in 2019. Forward sales for delivery out 90 days or more were down 62% from last year and 27% lower than 2019. USDA released the October WASDE report which raised corn yield, production and ending stocks from their previous estimates. Corn yield was increased slightly to 176.5 bushels per acre with production pegged at 15.019 billion bushels. Corn ending stocks are now projected at 1.50 billion bushels, and yields continue to impress as more of the crop gets harvested. USDA pegged corn harvest at 52% complete this past week, 11% ahead of the five-year average for this date. Our clients appear to be benefiting from recent adjustments to cattle hedges following the break in price to allow for more upside participation and have taken advantage of a similar break in corn prices to extend feed coverage.

## USDA Weekly Choice Beef Cutout (10 Years):



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