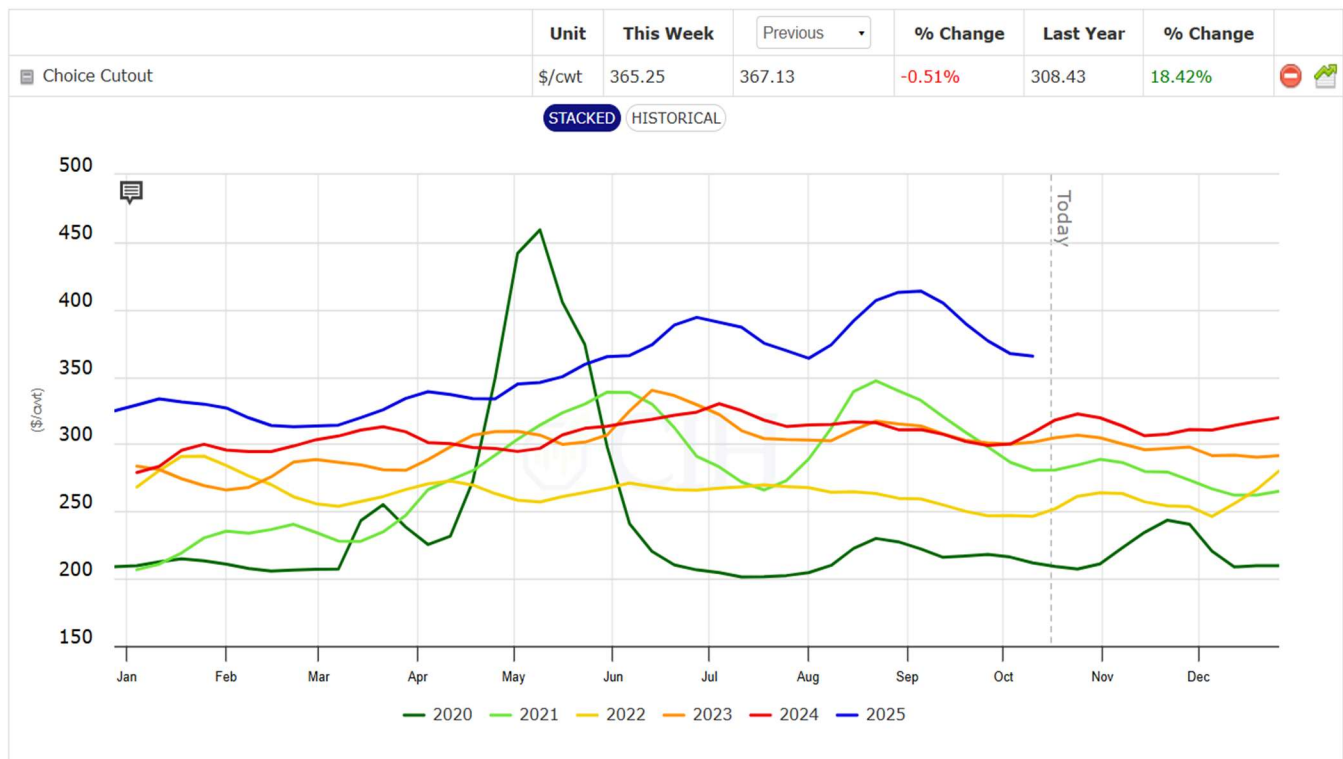


Beef Margin Watch: October



Both live and feeder cattle futures posted sharp gains over the first half of October while the corn market was flat to slightly weaker. Nearby feeder cattle futures are trading at a record above \$380/cwt., well above the previous 2014 peak in the cattle cycle which adjusted for inflation would equate to \$320 in today's dollars. The likely herd rebuilding next year and ongoing border closure with Mexico due to the spread of NWS to within 70 miles of the U.S. border will continue to limit supplies heading into 2026. The supply of feeder cattle this summer was the lowest in 30 years, estimated to be around 34 million head based on USDA survey data. While there was no survey last year, the supply would be down around 700,000 head from 2023 and below the previous low in 2014. Cattle slaughter last week was estimated at 547,000 head, down 15,000 from the previous week and 6.5% below last year. Beef prices are down from highs earlier this summer but remain above a year ago. The choice beef cutout at \$365.25/cwt. has declined \$48 or 11.7% since the beginning of September but remains \$56.82 or 18.4% above last year. Higher prices for middle cuts currently account for about 60% of the year-over-year gain in the choice beef cutout, while chuck and round values have shown only marginal improvement despite the lighter slaughter pace. The rib primal tends to improve from now into year-end due to holiday demand, although near record prices may temper the outlook this year. A recent call between President Trump and Brazil's President Lula have raised hopes that an agreement may be reached to lower beef import tariffs, currently at 76.4% which has dramatically slowed supplies from that market. Our clients continue to maintain cattle hedges on new inventory with flexible strategies given ongoing tight market supplies.

USDA Choice Beef Cutout:



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