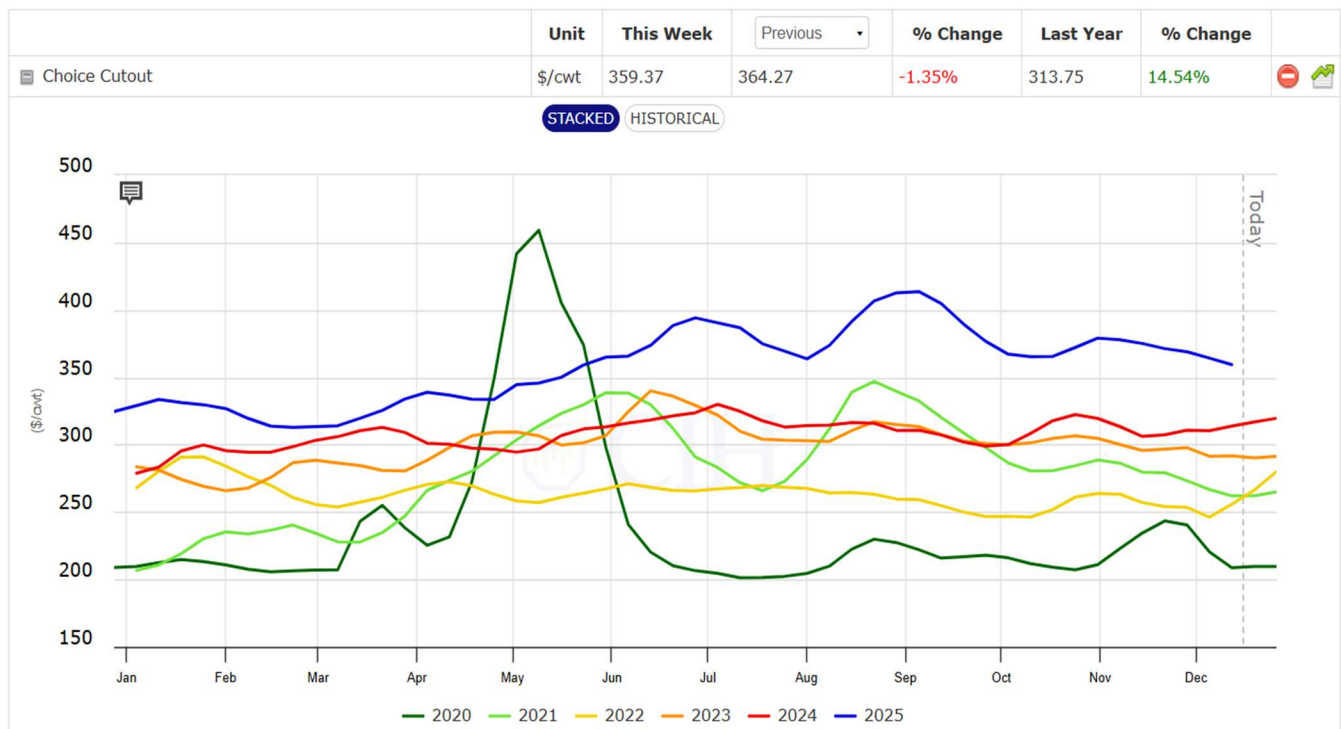


Beef Margin Watch: December



Feeding margins improved over the first half of December as cattle futures rose while corn costs declined. While cattle futures have been under pressure recently from a confluence of factors including the 40% reciprocal tariff on Brazilian beef being removed and ideas that a reopening of the border between Mexico and the U.S. to facilitate cattle trade was imminent, these are not proving to be as impactful as the prevailing bullish supply/demand fundamentals in the market. While much of the bullish discussion in the market has obviously focused on supply side dynamics with significantly reduced U.S. cattle inventory in the current cycle, strong demand is also having a big impact. While cattle slaughter continues to track below year-ago levels, it has increased recently and with cattle being harvested at much heavier weights than last year, fed beef production has been running around 4.5% to 5.0% above 2024 over the last few weeks. Despite this, the choice beef cutout is 14.5% higher than a year ago which speaks to strong domestic demand as consumers prioritize protein and continue consuming beef even though they are trading down from more expensive cuts. Meanwhile as the U.S. and Mexico were close to reopening the border to feeder trade, a new case of New World Screwworm was recently discovered in Nuevo Leon which will likely keep the border closed for the time being. Tyson's recent announcement that their Amarillo, Texas beef processing plant will now be cut down to one shift from two previously highlights expectations that supply will remain limited as placements in Texas have declined more than Kansas, Nebraska and Colorado combined year-to-date. USDA's FAS forecasts that global beef production in 2026 is expected to decline about 1% from this year to 61 MMT. Our clients have benefited from recent adjustments to lighten delta on cattle hedges following steep price declines.

USDA Choice Beef Cutout:



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