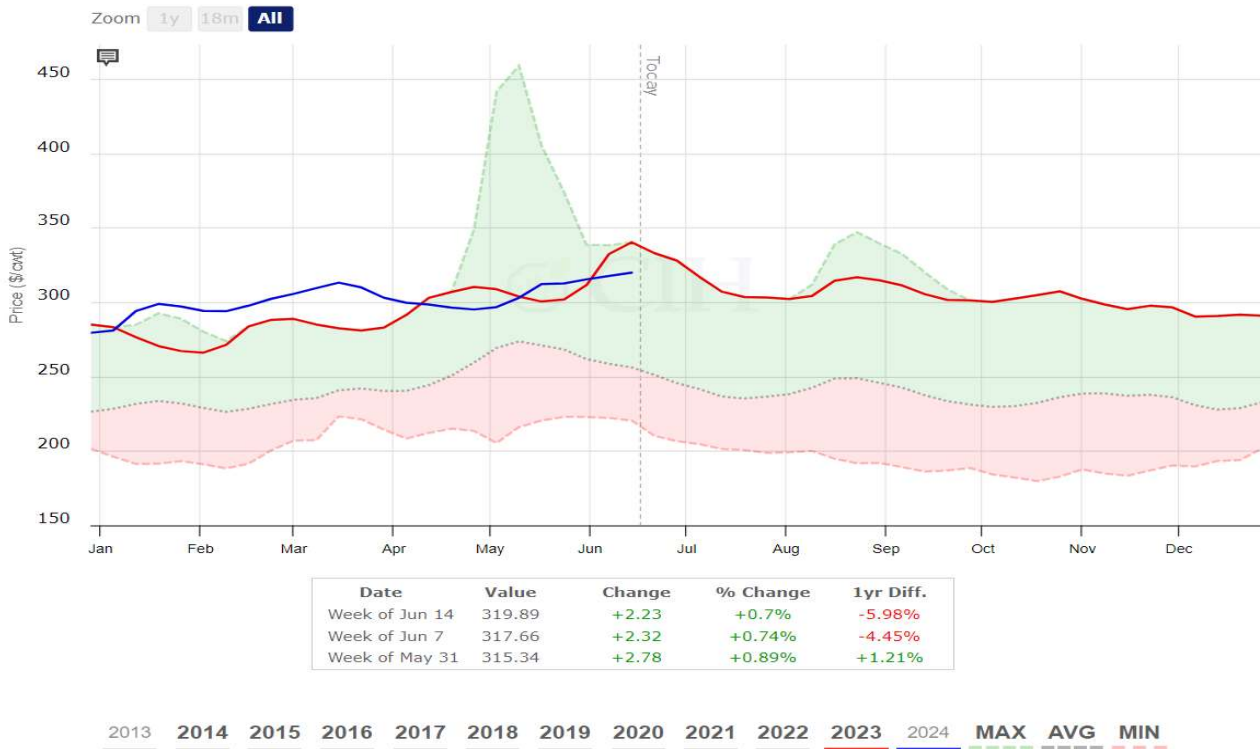


Beef Margin Watch: June



Cattle futures firmed over the first half of June while corn prices slipped, improving feeding margins. Beef cutout values have held up well despite rising production which would indicate strong domestic demand. USDA's ERS reported the all-fresh retail beef price at a record \$7.69/lb. in May, up \$0.46 or 6.1% from last year. Ground beef remains above \$5.00/lb. at \$5.60 – up 4.6% from a year ago while boneless choice sirloin steaks at \$11.56/lb. were up \$0.81/lb. or 7.5% from a year which suggests that consumer demand remains strong despite higher prices. USDA estimated beef production last week at 522 million pounds, up 1.7% from a year ago despite a 3.3% decline in slaughter as higher weights more than offset the lower head count. USDA reported total exports of fresh, frozen, and processed beef and veal during April of 86,343 MT, down 3.3% from last year. Double digit declines in volume from both South Korea and China contributed to the lower export figure, with shipments of 19,333 MT to Korea down 17% from last year shipments to China of 14,814 MT down 11% from a year ago. Recently, China delisted a U.S. beef plant likely in response to increased tariffs on Chinese products so lower demand is likely moving forward. Improving pasture conditions continues to limit beef cow slaughter which will likely intensify as herd rebuilding efforts gather steam. USDA released the June WASDE report which left the new-crop domestic corn balance sheet unchanged from May with no change noted to corn production in either Brazil or Argentina, contrary to trade expectations. This along with high early season crop condition ratings has put renewed pressure on the corn market. Our clients have benefited from recent adjustments to cattle positions allowing for greater upside price flexibility.

USDA Choice Beef Cutout:



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