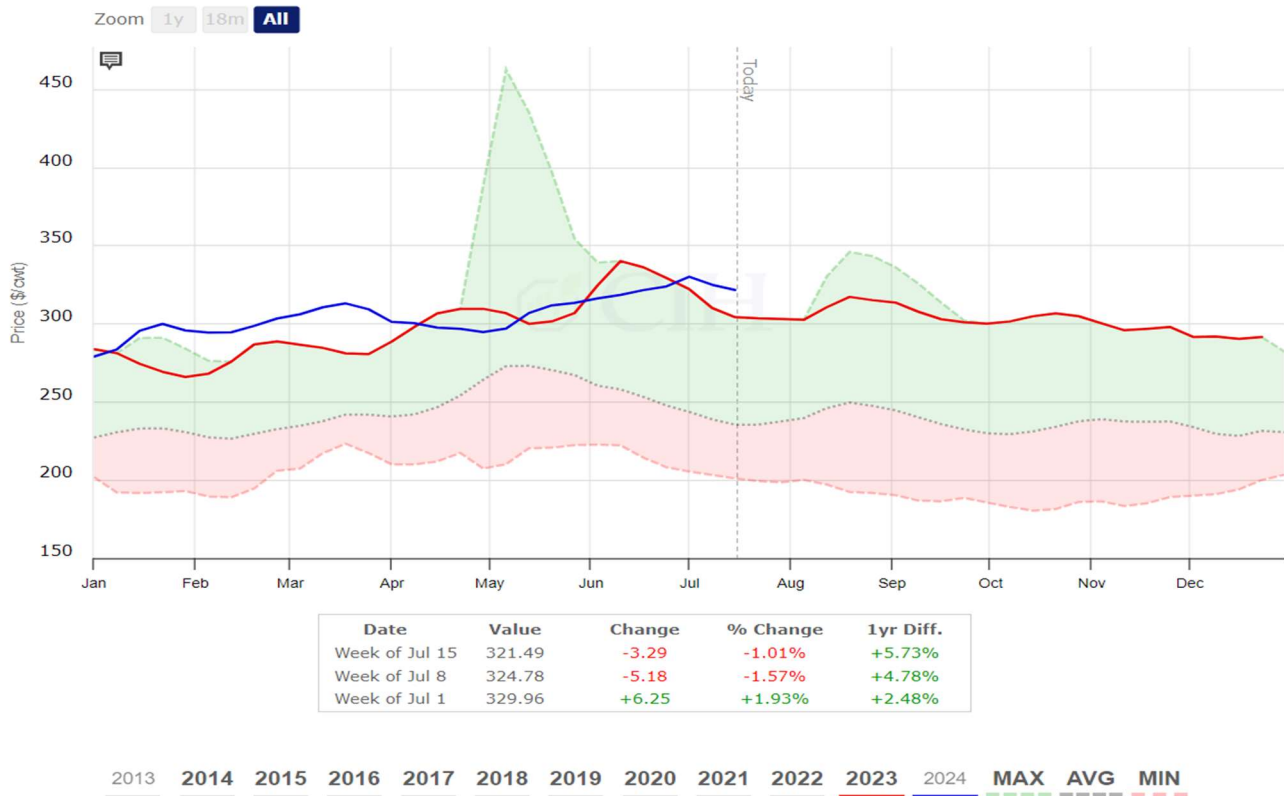


Beef Margin Watch: July



Both cattle and corn futures were relatively steady over the first half of July with limited price movement in either market. Cattle futures remain supported by elevated beef cutout values which are trading above \$320/cwt. so far during July at new 10-year highs for this point of the year. Much of the support in cutout can be tied to strength in lean grinding beef values which at over \$370/cwt. are up \$80 or 28% from last year. A sharp decline in dairy cow slaughter appears to be a factor and having a significant impact on lean grinding beef supplies as avian influenza, a lack of dairy heifer replacements, and strong dairy margins are encouraging dairy operations to hold on to older heifers. For the four weeks ending June 22, dairy and beef cow slaughter was down around 18% from last year, with over half of the decline in cow meat supplies tied to fewer dairy cows being slaughtered. In the July WASDE report, USDA estimated 2024 beef production at 26.722 billion pounds, up 65 million from June and 500 million pounds more than the initial estimate in January. While USDA expects beef production to be down 4.5% in 2025, this estimate is dynamic with ongoing uncertainty about herd rebuilding efforts and incentives to increase harvest weights with declining corn prices and lower cost of gain. High lean beef prices are also attracting more imports which likewise is increasing supply. USDA raised their corn production estimate to 15.1 billion bushels in the July WASDE on higher planted and harvested area, although ending stocks were reduced with higher forecasted usage. Our clients continue adding to feed inventory and ownership following the sharp selloff in the corn market while maintain cattle hedges.

USDA Choice Beef Cutout:



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