Daily Livestock Report

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USDA will released on Friday, January 26, the results of its monthly feedlot inventory survey and just about everyone agrees that the inventory will be much bigger than it was a year ago. The regular monthly report will be then followed by the semi-annual cattle inventory survey, which offers details not just on feedlot supplies but also the number of cattle and calves at various stages of production. One of the components of the cattle inventory survey is the number of cattle on feed in all feeding operations. It is always useful to compare the feedlot numbers from the annual survey with the monthly data, since the latter only covers the inventory in feedlots with +1000 head capacity. Ample feed supplies and a cyclical increase in calf numbers has likely encouraged more country feeding. The annual survey should give us a better understanding of the supply of feedlot cattle that will be available for marketing in the first half of 2018.

Analysts polled by Urner Barry ahead of the USDA report said they expect the January 1 on feed supply to be 7.7% larger than the previous year. This would be the biggest January 1 on feed supply since January 2012. There is a wide range of opinions among analysts as to how many cattle were placed on feed and, surprisingly this month, as to how many cattle were marketed in December. There was one less marketing day last month, which may have thrown off some of the estimates. In terms of placements, the general expectation is for numbers to be down compared to last year. Keep in mind that this year feedlots placed cattle on feed in a more timely manner than in 2016. With placements in October and November increasing by double digits compared to the previous year, it is reasonable to expect that December numbers will show a modest pullback. Some regional surveys also indicate a modest reduction in placements last month. The average estimate is for placements to be down 3.1%. The sharp decline in fed cattle futures during November may have also negatively impacted cattle placements last month, at least through the first two weeks. April fed cattle traded above $130/cwt in early November. By the end of December fed cattle futures were trading about $10 lower. Feeder cattle imports were higher for much of 2017 and that was the case again in December. We don't have final import data but by our estimates feeder cattle imports from Canada and Mexico were up by a little over 8,500 head or +6% compared to the same period a year ago. The net supply increase was not large enough to materially impact the overall level of placements, however. Auction sales data also points to a slowdown of cattle entering feedlots during December. Sales of +600 lb. cattle in December (based on weekly data) were 17% lower than the same period a year ago.

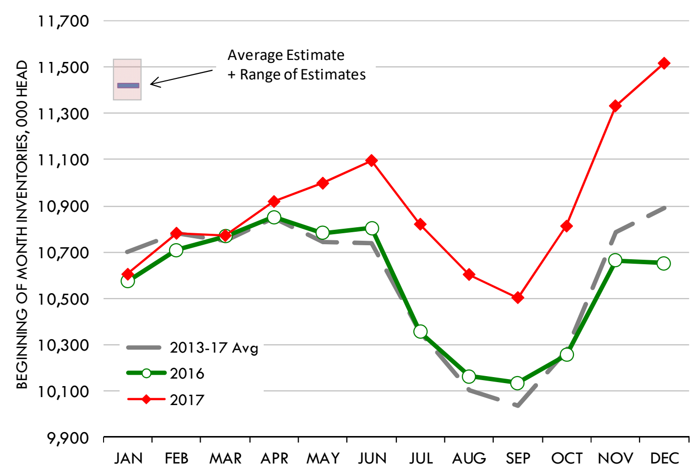
January 2018 COF Pre-Report Estimates. Urner Barry Survey

percent of year ago volumes. 10 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jan 1	107.7%	12,311	107.2% - 108.9%
Placed on Feed in Dec	96.9%	1,669	93.3% - 104.0%
Marketed in Dec	98.6%	1,726	93.6% - 103.5%

USA Cattle on Feed Inventory

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA



It is not often that we see such **a wide range in estimates of marketings for a given month**. Often the fed cattle slaughter data in a month with track pretty close with feedlot marketings. Using USDA daily slaughter numbers, we calculate that total December steer/heifer kill was 1.5% lower than the same period a year ago. Keep in mind that we are using daily numbers here so there is no need to do any adjustments for slaughter days, etc. If we were to adjust for the extra marketing day in Dec 2016, slaughter last month was actually about 3.5% higher on a daily basis. The marketing rate in Q4 was quite robust but the big increase in placements in early fall is quickly increasing the front end supplies. Based on the average of analyst estimates, we calculate the +120day inventory +6% vs. the previous year and the +150day inventory at +15% vs. the previous year, which should bolster fed cattle slaughter during winter/spring months

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