

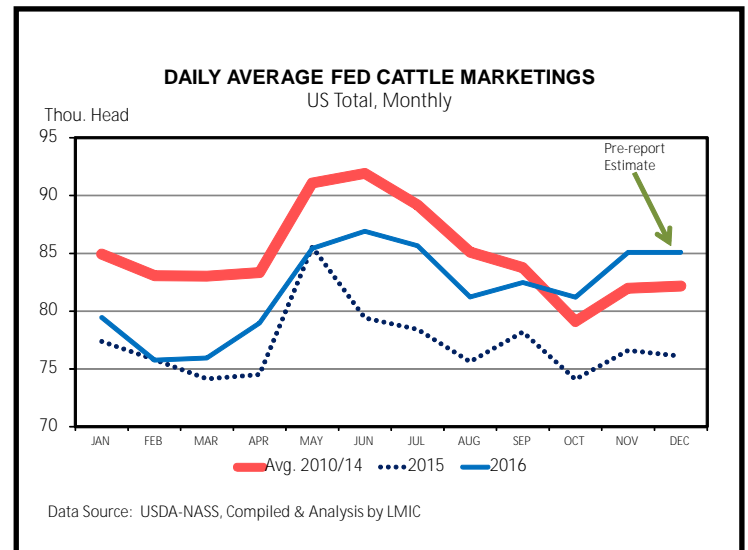
On Friday, USDA's National Agricultural Statistics Service (NASS) will publish their monthly Cattle on Feed report, which is based on a survey of all feedlots with an animal capacity of 1,000 head or more. Nationally, the on-feed estimate will be as of January 1, 2017. The counts for head marketed and placed (animals entering feedlots) will be for the month of December 2016. Market analyst pre-report estimates are discussed below.

Analyst expectations show impressive marketing numbers for December. Importantly, there was one more slaughter day in December 2016 compared to 2015's. That translates into daily average marketings having a year-over-year increase of 11.8%. As shown in the accompanying graphic, cattle marketed by feedlots were depressed a year ago and 2016 returned to a more normal pattern. For the last three months of 2016, daily average marketings were robust, exceeding a year ago and also surpassing the prior five year average (2010-2014).

Placement of animals into feedlots during December are expected to be reported above a year ago. In November, placements rose 15% year-over-year after declining compared to 2015's levels in both September and October. Several factors dampened placements in September and October, including low feeder cattle prices, good pasture conditions (except in southeastern states), and red ink on closeouts by feedlots. As indicated in the table, the average of pre-report estimates is for placements to increase 8.8%.

Using the averages of pre-report estimates, as of January 1st, analysts expect fewer cattle on-feed than a year ago (down 0.9%). As shown in the table, the range of inventory estimates is from 98.4% to 100.0% of a year ago. Those percentage changes are modest when compared to overall U.S. cattle herd growth rates. The on-feed count would likely be larger if marketing rates during the last few months of 2016 has not been so high.

If there is a surprise in the report it would likely be in placements compared to the average pre-report estimate. Given the market uncertainty and weather conditions during December the range of pre-report estimates seems rather

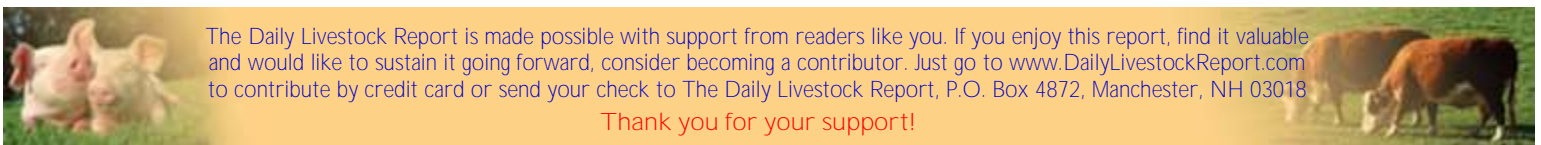


COF Industry Pre Report Estimates		
	% of Year Ago	
	Average	Range of Estimates
On-Feed January 1	99.1	98.4 - 100.0
Placed in December	108.8	107.4 - 113.6
Marketed in December	106.7	105.0 - 109.2

Source: Urner Barry (used with permission)

small. The placements by weight category table in the upcoming report may be worth some extra evaluation this month, specifically the distribution of cattle across those weight categories. If the overall placement number is larger than expected, but most of the growth is in lightweight animals, deferred futures market contracts may not react much.

The upcoming NASS report will contain the quarterly breakdown of the number of animals on-feed by class (steers versus heifers). Taking a look at those trends and year-over-year changes should provide insight regarding the big picture of the national cattle herd growth rate.



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