

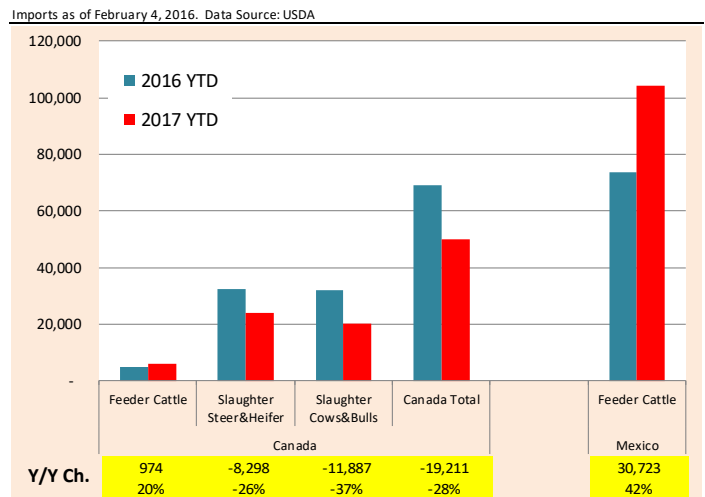
Holiday hours reminder: CME livestock markets will not trade on Monday, February 20. Trading will resume at regular hours on Tuesday. You can view the calendar for livestock and all other products traded on the CME exchange at the link below:

<http://www.cmegroup.com/tools-information/holiday-calendar.html>

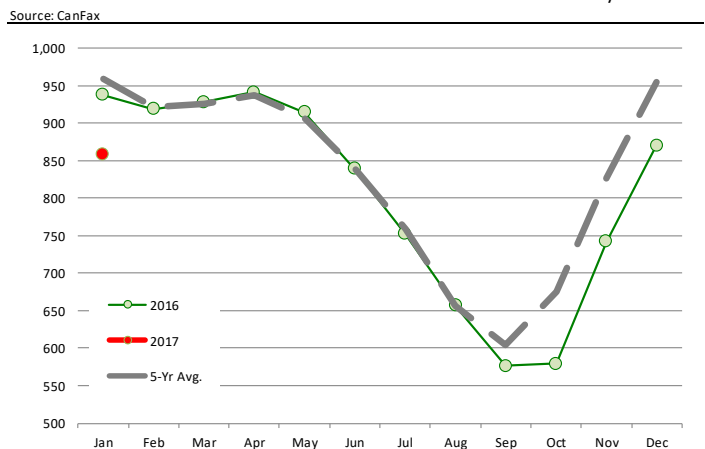
USDA will publish next week the results of its feedlot inventory survey and we will cover both pre-report estimates and the survey results as they become available. One of the issues that always comes into play when considering the supply of cattle going into feedlots is the number of cattle that gets imported during the period in question. So far this year we have seen a minimal number of Canadian feeder cattle coming into the US but a significant rise in the number of Mexican feeder cattle imports. While one may be tempted to speculate and tie the trade flow to the current political situation, we suspect the reality is a bit less complicated. Fed cattle prices in the US appreciated by as much as 20% between late November and the end of January, thus providing an incentive for Mexican cow-calf operators to sell into the US. During this time the value of the Mexican peso relative to the US dollar also declined. In October of last year, one US dollar converted to 18.9 peso. By January, that same dollar converted to as much as 22 peso (current value is 20.5). In other words, if you were a Mexican producer looking to sell your calves, the shift in the exchange rate alone made the US market 15 to 20% more valuable. If you had calves to sell, you tried to send them to feedlots north of the border. During the first five weeks of 2017, imports of Mexican feeder cattle were 104,357 head, 30,723 head (+42%) larger than a year ago. It will be interesting to see how the placement numbers in TX-OK will look when the USDA report comes out. Trend numbers would suggest that placements in Texas (reported individually in the COF survey) were about 9% higher in January compared to a year ago. Larger imports, however, could skew this number and add another 8 percentage points to the Texas feedlot placement number.

Imports of feeder cattle from Canada were quite small during the first five weeks of 2017, not unusual for this time of year. Imports of fed steers and heifers also were lower despite the higher prices and the favorable exchange rate. The decline in slaughter cattle imports is due in large part to the smaller number of cattle on feed in Canadian feedlots. We do not have the February 1 data yet for Canada but as of January 1, CanFax reported that the total number of cattle on feed in Alberta and Saskatchewan feedlots was 858,129 head, 8.5% lower than the previous year. Shipment of slaughter ready cattle to the US market during the first five weeks of this year were 23,915 head, 26% lower than the same period a year ago. Fed cattle slaughter in the US at this time of year is running at around 90,000 head per day. **So overall imports of slaughter cattle from Canada in the first five weeks**


US Cattle Imports from Canada and Mexico. Head of Cattle. Based on Weekly Data



Cattle on Feed in Alberta and Saskatchewan. 1st of the Month Inventory




of this year represent about 1% of US fed cattle slaughter. It is likely that Canadian cattle on feed numbers will be somewhat limited in the very near term given the sharp decline in cattle placements during Jul - Oct period. According to Canadian placement data, for that period placements declined an average of 20%. But similar to the US, placements rebounded in November and December, up 19% and 6% respectively. The smaller on feed inventories and the decline in placements also may reflect the decision by Western Feedlots to wind down operations. This is the largest Canadian feedlot operator, which according to press reports has a standing capacity of 100,000 head.



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