Daily Livestock Report

Sponsored in part by CME Group

Vol. 16, No. 40 / February 26, 2018

<u>The February 1 cattle on feed inventory in +1000 head capacity lots was 11.630 million head, 7.9% higher than a year ago</u>. This is the largest February inventory since 2012 when it was 11.8 million head. The difference of this year to 2012, however, is that there are fewer cattle that have been in inventory for more than 120 days. In February 2012 the +120 day inventory was 3.596 million head compared to 2.984 million head today. The marketing rate today has been faster than it was back then, a function of better demand, allowing feedlots to stay more current. For instance the marketing rate in January 2012 was 14.9% of the total inventory compared to 16.2% today. In addition, the cattle placed on feed during the fall of 2011 were not as light as what we saw in 2017, which means feedlots have a bit more flexibility as to when/how to market their cattle this time around.

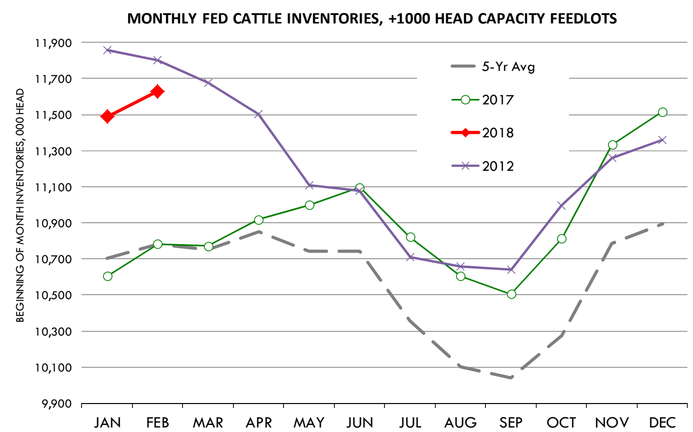
<u>The latest report indicated that feedlots placed 2.068 million cattle on feed during January, 87,000 head (+4.4%) more than a year ago</u>. Prior to the report analysts were expecting placements to be about the same as a year ago. The placement estimate is always a point of debate and some regional reports already were implying that placements in January were likely higher than expectations. Dry conditions in the Southern Plains have bolstered placement numbers for the last three months and they appear to have contributed to the January increase as well. Total Texas placements in January were 400,000 head, 11% higher than a year ago and consistent with the indications we getting prior to the report. The bulk of the increase in Texas placements was from cattle weighing less than 700 pounds. However, placements of light calves in other areas were down, which offset the increase in Texas and surrounding states. The report showed a notable increase (+40,000 head) in the 700-799 pound category and a significant increase in the +900 pound category (+39,000 head). **<u>The increase in overall placements, and especially in placements of heavy cattle, as well as a slowdown in fed cattle marketings last week may be viewed as bearish traders when CME contracts start trading this morning.</u>**

<u>Bottom line: On feed supplies are notably larger than a year ago and this should limit beef/cattle price inflation in the spring</u>. However, much of the increase in placements during the last few months was driven by lighter cattle that were forced into feedlots due to drought, which offers feedlots a longer feeding window and more flexibility in marketings. Futures will likely view the report as moderately bearish due to the larger than expected increase in placements, and more importantly, because there were more heavy cattle placed on feed. The downside risk for the cattle market would come from a slowdown in demand. So far markets have shown that strong demand trumps larger supplies and thus the focus will continue to remain on demand drivers, be this retail spring features, foodservice traffic trends or export sales.

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

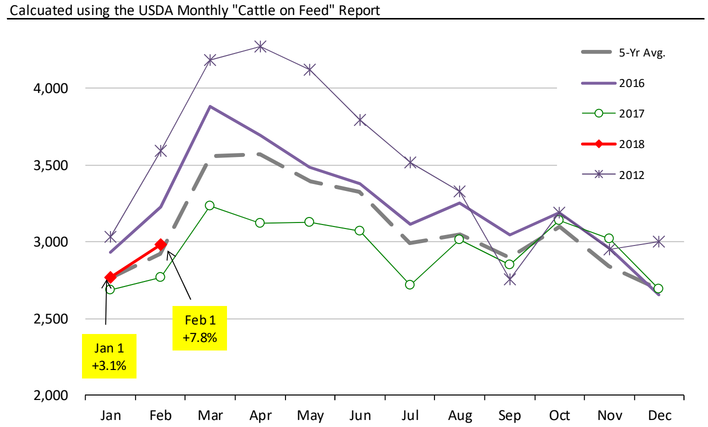
Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2016	2017	2018	Actual	Estimates	Difference
Placed on Feed During Jan	1,779	1,981	2,068	104.4	100.0	4.4
Fed Cattle Marketed in Jan	1,589	1,751	1,858	106.1	106.1	0.0
On Feed February 1	10,709	10,782	11,630	107.9	107.2	0.7



INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE

Calcuated using the USDA Monthly "Cattle on Feed" Report



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PRODUCTION & WKLY AVG. PRICE SUMMARY — Week Ending 2/24/2018

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *Weekly Avg. Prices*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			24-Feb-18	17-Feb-18		25-Feb-17			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,851**	**1,867**	-0.88%	**1,799**	2.84%	**13,858**	1.1%
	FI Slaughter	Thou. Head	572	596	-4.03%	574	-0.43%	4,734	2.2%
C	FI Cow Slaughter **	Thou. Head	119	124	-3.82%	115	3.66%	721	6.1%
T	Avg. Dressed Weight	Lbs.	827	828	-0.12%	820	0.85%	827	0.6%
T	Beef Production	Million Lbs.	472.1	492.3	-4.10%	470.0	0.45%	3,916	2.9%
L	Live Fed Steer Price	$ per cwt	128.15	129.75	-1.23%	124.40	3.01%		
E	Dressed Fed Steer Price	$ per cwt	204.45	205.03	-0.28%	195.90	4.36%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	N/A	162.96	N/A	144.08	N/A		
&	Choice Beef Cutout	$ per cwt	216.53	208.47	3.87%	194.48	11.34%		
	Hide/Offal	$ per cwt, live wt	10.25	10.27	-0.19%	11.93	-14.08%		
B	Rib Primal, Choice	$ per cwt	345.54	331.79	4.14%	288.27	19.87%		
E	Round Primal, Choice	$ per cwt	175.66	172.26	1.97%	172.25	1.98%		
E	Chuck Primal, Choice	$ per cwt	179.33	173.69	3.25%	155.83	15.08%		
F	Trimmings, 50%	$ per cwt	83.36	81.42	2.38%	79.55	4.79%		
	Trimmings, 90%	$ per cwt	217.01	215.01	0.93%	209.94	3.37%		
	FI Slaughter	Thou. Head	2,373	2,382	-0.38%	2,266	4.72%	18,835	1.9%
	FI Sow Slaughter **	Thou. Head	59.9	61.5	-2.65%	58.6	2.11%	348	2.4%
H	Avg. Dressed Weight	Lbs.	214.0	214.0	0.00%	212.0	0.94%	214	0.6%
O	Pork Production	Million Lbs.	507.2	509.5	-0.45%	481.4	5.36%	4,028	2.5%
G	Iowa-S. Minn. Base	Wtd. Avg.	64.33	67.50	-4.70%	72.05	-10.71%		
S	Natl. Base Carcass Price	Wtd. Avg.	68.55	70.93	-3.36%	73.31	-6.49%		
	Natl. Net Carcass Price	Wtd. Avg.	70.67	72.96	-3.14%	75.84	-6.82%		
	Pork Cutout	205 Lbs.	79.00	77.21	2.32%	82.48	-4.22%		
	Ham Primal	$ per cwt	60.22	57.20	5.28%	55.82	7.88%		
	Loin Primal	$ per cwt	73.67	72.50	1.61%	76.62	-3.85%		
	Belly Primal	$ per cwt	131.33	125.54	4.61%	166.77	-21.25%		
	Trimmings, 72%, Fresh	$ per cwt	60.77	65.26	-6.88%	64.12	-5.22%		
	Hog By-Product Value	$ per cwt, live wt	3.74	3.76	-0.53%	3.99	-6.27%		
C	Young Chicken Slaughter *	Million Head	163.5	162.8	0.42%	159.8	2.32%	1,100	-1.5%
H	Avg. Weight (RTC)	Lbs.	4.67	4.65	0.49%	4.64	0.82%	6.18	0.3%
I	Young Chicken Production (RTC)	Million Lbs.	764.2	757.3	0.91%	740.8	3.16%	5,167	-1.2%
C	Eggs Set (19-state)	Million	0.0	226.9	NA	222.5	NA	1,578	2.3%
K	Chicks Placed (19-state)	Million Head	0.0	179.7	NA	178.8	NA	1,267	1.3%
E	National Composite Whole Bird	Composite	91.00	91.24	-0.26%	86.12	5.67%		
	Northeast Breast, B/S	$/cwt	105.32	103.8	1.46%	115.38	-8.72%		
	Northeast Leg Quarters	$/cwt	40.66	37.87	7.37%	34.82	16.77%		
T	Total Turkey Slaughter *	Million Head	4.291	4.165	3.03%	4.018	6.79%	28.865	2.2%
U	Avg. Weight (RTC)	Lbs.	24.93	25.88	-3.69%	26.68	-6.55%	32.20	-0.4%
R	Turkey Production (RTC)	Million Lbs.	107.0	107.8	-0.78%	107.2	-0.20%	747	1.6%
K	National Hen (8-12 lb)	8-16 Lbs.	75.43	828.00	-90.89%	107.20	-29.64%		
G	Corn, Omaha	$ per Bushel	3.48	3.48	0.00%	3.32	4.82%		
R	Distillers Grain, Chicago	$ per Ton	155.00	152.50	1.64%	100.00	55.00%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	4.64	4.74	-2.11%	4.09	13.45%		
I	Soybeans, Cntrl IL	$ per Bushel	10.20	10.13	0.69%	10.03	1.69%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	380.40	378.20	0.58%	328.30	15.87%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag. YTD still references 2017.