

USDA indicates that over 25% of cattle (beef and dairy) inventory is located in an area experiencing drought, according to the [Office of the Chief Economist](#). Large sections of the southern plains and the southwest have been experiencing dry conditions since the fourth quarter of 2017. The implications on the domestic side have been less wheat pasture available for grazing and much higher placements of lightweight cattle heading into feedlots.

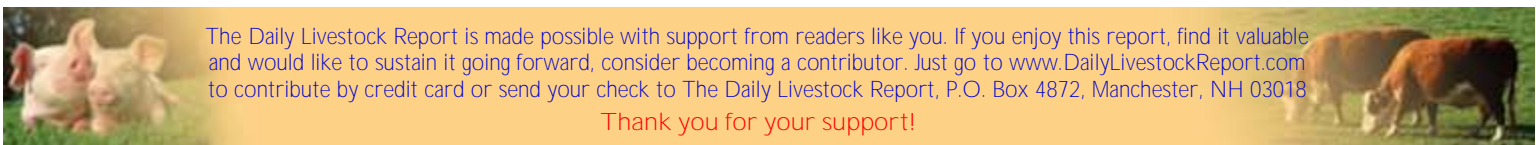
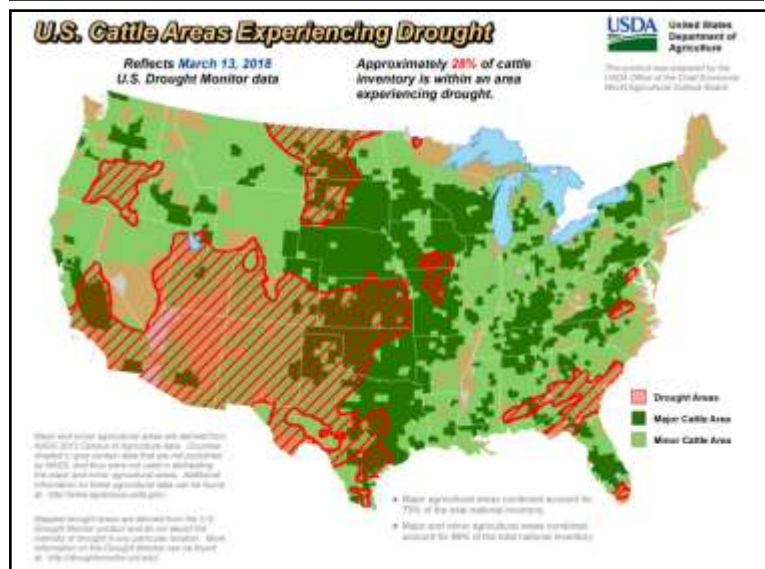
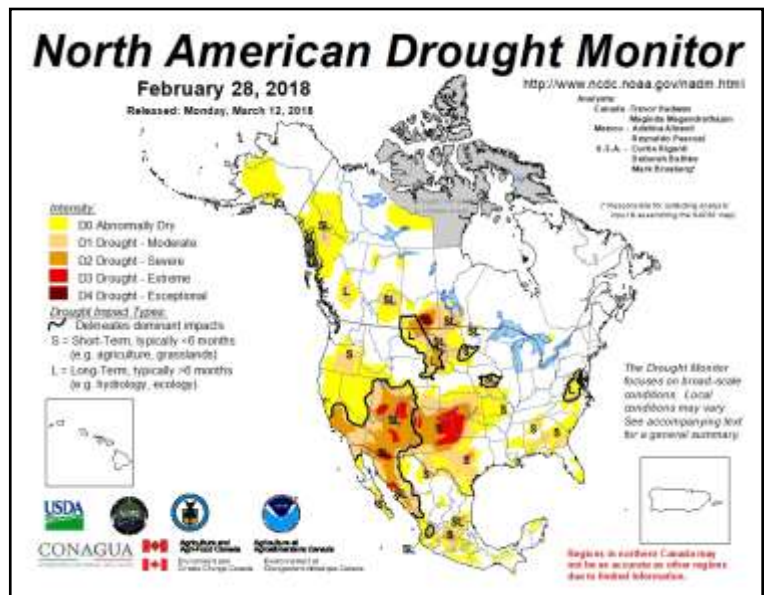
Mexican cattle coming across the border that usually find their way into grazing programs are moving directly to feedlots at a faster pace. The drought in the southern plains has continued to worsen, but dryness across the border is considerably less severe.

According to the North American Drought Monitor (NADM), shown to the right, the Mexican border states of Chihuahua, Coahuila, and most of the eastern interior have very little dryness compared to their U.S. neighbors. Sonora, the Baja region and western coast of Mexico are facing dryer conditions. Still, the number of Mexican feeders crossing the border does not imply significant early movement as a result of dryness. This is in part because some of the larger cattle-raising states do not appear to be affected. Note: The NADM is released monthly, and U.S. weekly drought monitor shows worsening conditions since its latest release.

Weekly import data shows total Mexican feeder cattle imports are down 13% year to date compared to 2017. Feeder steers coming across the border are down 15% while the number of feeder heifers being imported is down 2.5% year over year. January trade data indicated the number of lighter weight feeder cattle, 400-700 lbs., has slowed by 6 percent to kick off 2018, compared to the prior year. However, the number of heavyweight feeders has increased by a factor of 4, relative to January 2017. U.S. trade data breaks cattle over 700 lbs. into those destined for slaughter and those destined for feeding. The four-fold increase is specific to those expected to add weight in the U.S. Those animals over 700 lbs. destined for slaughter is a very small percentage of the import mix, and totaled 166 head in January. In all of 2017, the U.S. imported less than 2000 head in the slaughter category, compared to the 700,000 head of 400-700 lbs. feeder animals.

The lower number of imports coupled with poor grazing conditions, makes placements into feedlots a bit of a wild card moving forward. The question analysts will continue to ask is how many more cattle are out there and available for placement after several months of year over year increases. The last cattle on feed monthly placement number to register a year over year decrease was February of 2017, but 2016 was a leap year. The last true

decline in the number of cattle placed dates back to October 2016. This year is unlikely to see double-digit percentage gains in placements as we saw in 2017. There is even a possibility of posting year over year declines in the months leading up to the current year calf crop coming to market.



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