

USDA will release on Friday, March 23, the results of its monthly survey of feedlot operations that have a capacity more than 1000 head of cattle. Analysts polled by Urner Barry ahead of this report (11 analysts) indicated that they expect feedlot inventories on March 1 to be 8.1% higher than the same period a year ago. February placements are expected to be up 4.5% compared to last year while marketings are expected to be up 1.4%.

Let's look at each one of these survey components separately. The average marketing estimate from analysts matches the slaughter data for the month of February. According to the daily slaughter data, **steer/heifer slaughter in February was 1.860 million head, 1.4% higher than the same period a year ago.** The number of marketing days was exactly the same as a year ago. The pace of marketings was a bit slower than expected and likely part of the reason why market participants have become concerned about a so called "wall of cattle" coming to market in Q2. The marketing rate, i.e the ratio of marketings during the month vs. the total inventory at the start of the month, was 14.4% in March, down from 15.3% last year but in line with the marketing rate we normally see during February. In 2012, a year which saw a similar number of cattle on feed, the marketing rate in February was 14.6% and in February 2013 the marketing rate was 14.5%. Last year we saw a dramatic increase in the marketing rate during March, causing feedlots to become increasingly current and setting the stage for the sharp fed cattle price rally in May and June. **So far the marketing rate in March has failed to match what we saw a year ago.**

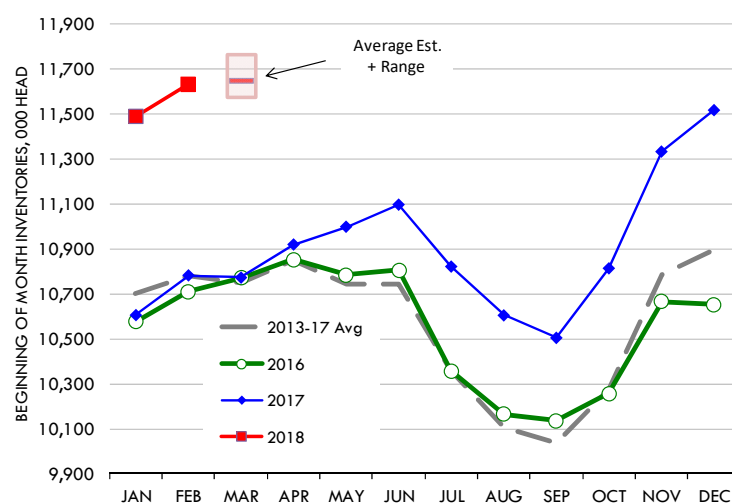
Placements are always a point of debate and the analysts polled tended to fall in two camps. Some think placements in February were pretty close to year ago levels while others expect a sizeable increase due to more cattle placed on feed in the Southern Plains. Some regional estimates once again indicate double digit increases in cattle placements in Texas but some of this may be offset by lower placements in other parts of the country. Auction sales during February do not show a significant increase compared to a year ago, which may have influenced some analyst estimates. Sales of +600 pound cattle at auction during four February weeks were on average 0.3% lower than a year ago. However, sales through other channels (direct, video, internet) were higher. **The total number of +600 pound cattle sold in the country during the four February weeks was 1.7% higher than a year ago.** The auction sales data is never a perfect match with the placement numbers but it offers insight on cattle movements in the country and the potential shift in placement numbers. Feeder cattle are also an important consideration when analyzing potential placement data. **Feeder cattle imports from Mexico in the four weeks ending March 3 were 105,557 head, down 12,679 head (-10.7%) compared to a year ago.** Feeder cattle imports from Canada remain minimal. During

March 2017 COF Pre-Report Estimates. Urner Barry Survey
percent of year ago volumes. 11 analysts surveyed

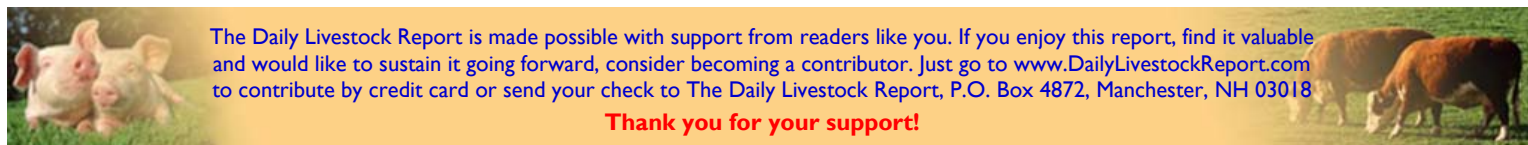
	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Mar 1	108.1%	11,645	107.5% - 109.2%
Placed on Feed in Feb	104.5%	1,770	100.3% - 108.8%
Marketed in Feb	101.4%	1,671	100.6% - 102.1%

USA Cattle on Feed Inventory

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



the same period, imports of Canadian feeder cattle were 1,891 head, down from 3,795 head a year ago. So imports also do not suggest a significant increase in placements vs. last year. The only piece that would argue for a sizeable jump in placements comes from regional reports suggesting more Texas cattle being pushed into the feedlots in February, likely a result of worsening drought conditions in the Panhandle. Using the average of analyst estimates above, we calculate the supply of cattle that have been on feed for more than 150 days at 1.161 million head, +15.2% higher than a year ago while the +120day cattle supply is now estimated at 3.627 million head, +12.1% higher than last year.



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