

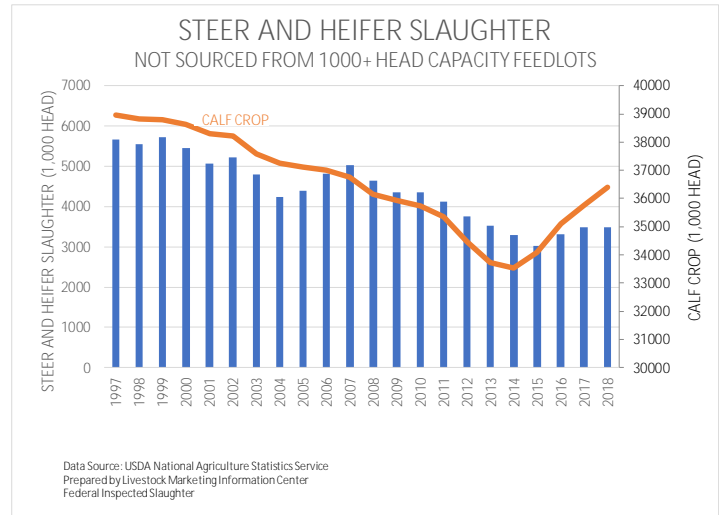
USDA National Agriculture Statistical Service (NASS) reports monthly on cattle volumes moving into the food distribution system. The first report, Livestock Slaughter, includes data on cattle slaughtered and beef production with a break-out by steers, heifers, cows and bulls. The second report, Cattle on Feed, shows cattle marketed by feedlots with capacities greater than 1,000 head. The report for February feedlot activity is due out today.

Marketings of slaughter-ready cattle from 1,000 head capacity feedlots have accounted for 86-87% of all federal inspected steer and heifer slaughter, on an annual basis, since 2013. This leaves 13-14% of steer and heifer slaughter to come from feedlots with capacities smaller than 1,000 head, imported from Canada (for the most part), or from pasture-raised cattle marketing programs.

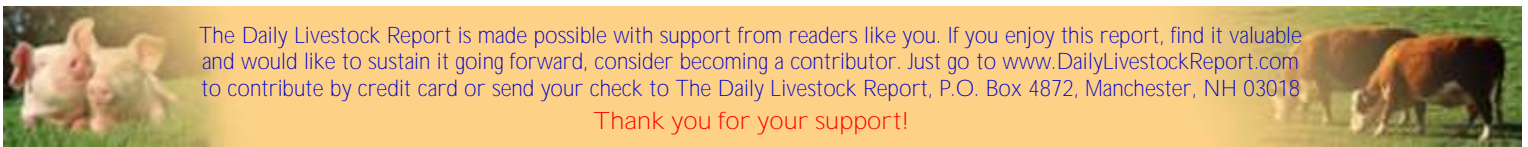
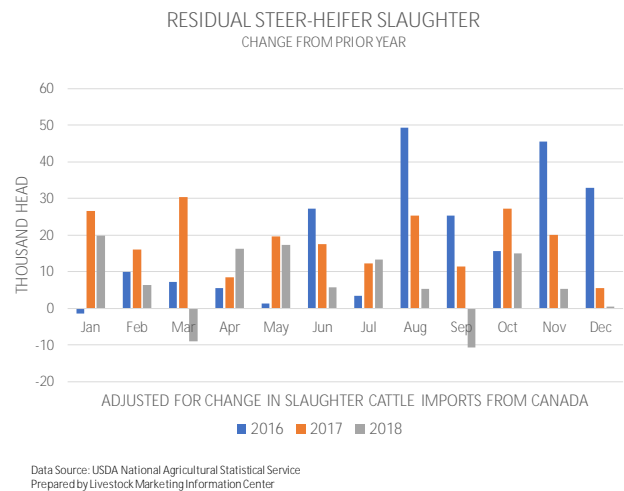
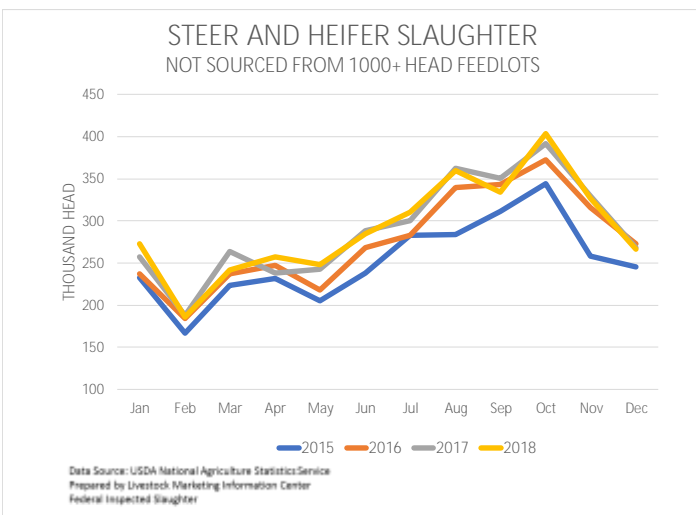
Trends in steer and heifer slaughter outside of 1,000 head capacity feedlot marketings have tended to follow the path of calves born in the prior year, consistent with the time it takes to raise a calf to market-ready weight. The quality of that relationship has diminished in the last two years as calf crops have trended higher while steer and heifer slaughter from non 1,000 head capacity feedlots (referred to as residual steer and heifer slaughter) showed little change from 2017 to 2018.

Seasonally, residual steer and heifer slaughter moves from a low in February of about 200,000 head to a high in October of 350 to 400 thousand head. Residual slaughter in 2018 traced the volume of 2017 fairly closely with some adjustment for ebb and flow between months.

Some of the lack of growth in residual slaughter in 2018 can be attributed to fewer slaughter cattle coming from Canada. Slaughter



cattle imports from Canada in 2018 declined 74,000 head from 2017, which followed a 57,000 head decline from 2016. Factoring out the change in slaughter cattle imports (some cows included) leads to an adjusted change in residual steer and heifer slaughter increasing only 85,000 head in 2018. By comparison, the import adjusted change in steer and heifer slaughter in 2016 and 2017 were up 222,000 and 220,000 head, respectively. Most of the slowdown in the increase in residual slaughter during 2018 occurred in the second half of the year.



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