

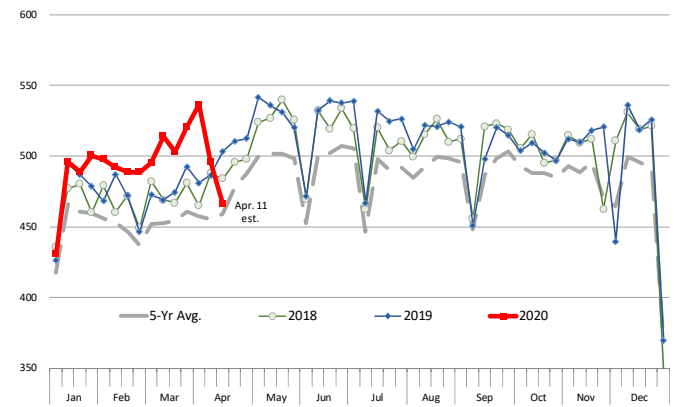
Fed cattle slaughter is off to a slow start this week and, if current trends continue, we could see fed cattle slaughter for the week down about 30k head from the week before and 37k head or 7.4% lower than last year. The slowdown likely reflects the impact of one slaughter plant in PA idled due to Corona virus and a possible reduction in capacity at a couple of other plants. Yesterday wire services noted that another plant in PA was going to be closed due to Corona virus but because that one was a fabrication/processing plant, it should have no impact on slaughter capacity. There are some legitimate concerns about the slaughter pace in the next few weeks and the impact this may have on feedlot currentness. However, it should be noted that March slaughter was quite good and that has helped feedlots at least stay in step with the market. We do not have actual fed slaughter numbers for the last week of March but, using the initial estimates, we calculate that fed cattle slaughter for the month was about 12% higher than the previous year. Saturday slaughter was especially high in March, accounting for about 40% of the increase in slaughter. March 2020 also included an extra Monday and Tuesday while last year there was an extra Saturday. This accounts for a big part of the year over year increase in slaughter.

Fed cattle weights remain heavy although the strong marketing pace in March has helped weights seasonally decline. Actual USDA weight data is reported with a delay. The latest numbers available are for the week ending March 21 and the weighted average of steer/heifer weights was 873 pounds, 3.7% higher than a year ago. We think weights have moved lower in the last two weeks. The comprehensive cattle report published yesterday pegged the average steer/heifer carcass weight at 863 pounds, 2.7% higher than a year ago.

Cutbacks in slaughter will happen whether we like them or not. Labor was a challenge for most plants even before Corona virus and the spread in some communities has created even more disruptions. In addition, **packers are likely looking to balance retail demand needs with the sharp decline in foodservice demand.** It would be nice if we could get cattle to produce one less tenderloin and ribeye and give us extra chucks and rounds but unfortunately Mother Nature has some strict rules. Last year weekly slaughter between April 12 and May 23 averaged 525k head per week. At this time market participants are running multiple slaughter scenarios to understand the potential impact on supply and consequently fed cattle values. However, **cattle producers have one advantage that hog and chicken producers do not have.** They have the ability to slow down the flow of cattle into feedlots and thus overall beef supply. The market is telling producers to do just that. Feeder cattle sales in the country have declined sharply in recent weeks and we suspect this will result in a sharp decline in feedlot placements for March, maybe by 20% or more. Weekly feeder cattle and stocker receipts for the four March weeks were down 46.7% compared to the same four week period a year ago. Auction sales were down 43% while direct sales were down 63%. Sales in the last two weeks of March were down as much as 73%. In the near term feedlots still have some cattle that will need to be marketed. On March 1 the supply of cattle that had been on feed for 120 days or more was 4.463 million head, 0.6% lower than a year ago. We think the +120 day supply will be higher on April 1 than on March 1 and possibly as much as 7% above the five year average.

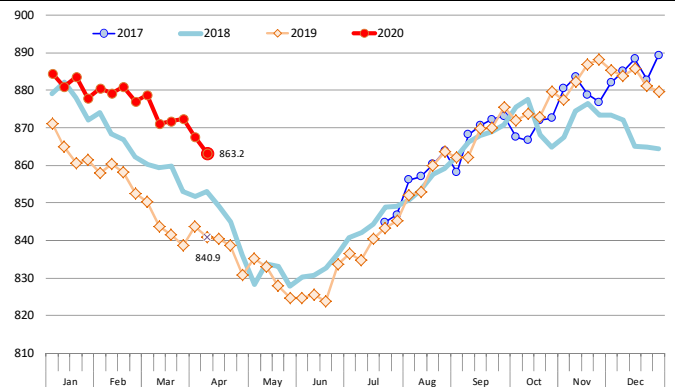
WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD

Source: USDA



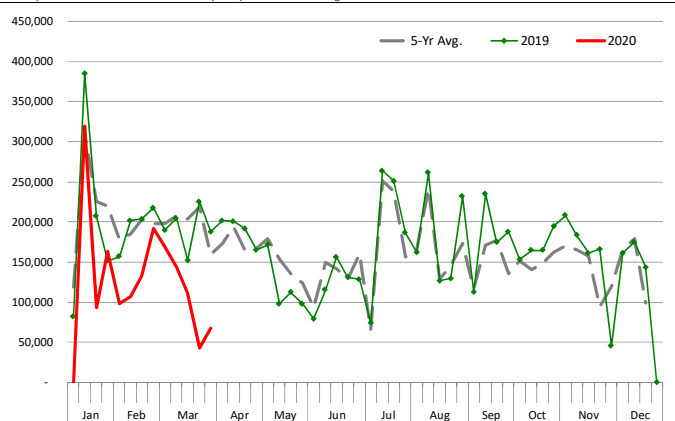
Fed Cattle (Steer+Heifer) Weights from USDA Weekly Comprehensive Cattle Report

Year/Year Comparison. Data Series Started in August 2017. Source: USDA-AMS



Feeder and Stocker Sales Receipts. +600lb. Cattle.

Weekly Data. Data Source: USDA. Analysis by Steiner Consulting



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