

The primary source of steer and heifer slaughter comes from feedlots, of which USDA-NASS (National Agriculture Statistical Service) surveys those with greater than thousand head capacities on a monthly basis. The proportion of steers and heifers marketed through this channel as a percent of total steers and heifers slaughtered has been stable at 86-87% since 2010. Efforts to differentiate or add value to cattle outside of the conventional feedlot marketing system (e.g. pasture or forage raised) have yet to result in a significant change in ratio of steer and heifer beef production relative to feedlot marketings.

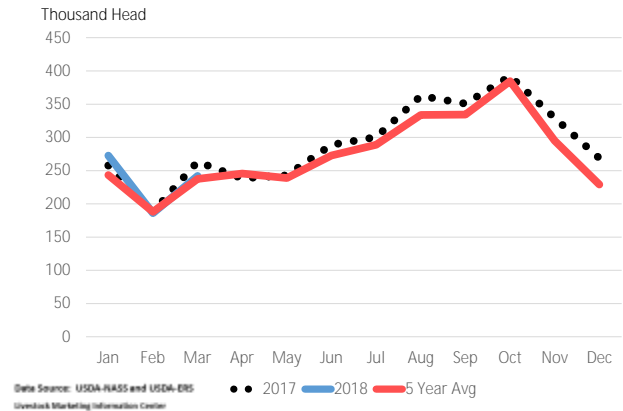
So far this year, it has been “business as usual” for steer and heifer beef production. In January, USDA-NASS reported feedlot marketings were 87% of total steer and heifer harvest, the same as the January shares from 2014-2017. The February break-out between feedlot and other sources came in at 90% from feedlots, virtually the same as each February since 2011. Ditto for March at 88%.

It is a bit of a surprise that steer and heifer marketings from outside the USDA-NASS feedlot universe have not dropped off more, year-to-date. The source of these cattle is the same as for the feedlot sector, mainly calves born in prior years. Placements of cattle into feedlots last year were up close to 10% from 2016, with the biggest increases coming in the spring and fall quarters. Intuitively, these large placements should have reduced the number of cattle available outside of USDA reported feedlot channels.

The longer-term downtrend in residual steer and heifer slaughter shown in the bottom-left chart reflects the declining trend in calves born in prior years along with generally steady feedlot operations. Variability of steer and heifer marketings from sources outside of USDA surveys during the course of a year has declined during the last 20 years, as defined by the difference between

RESIDUAL STEER AND HEIFER SLAUGHTER

Steer and Heifer Slaughter Exclusive of USDA-NASS Feedlot Marketings

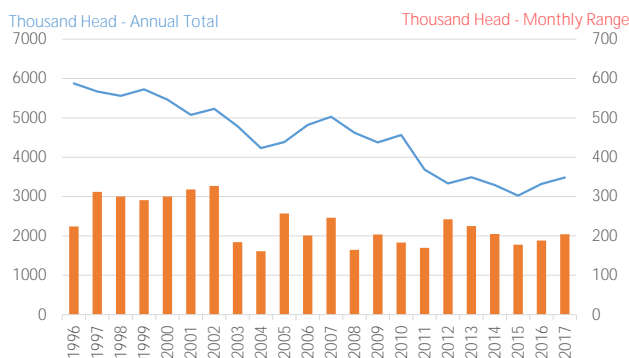


the high and low months of residual steer and heifer slaughter in any given year (red bars in chart at left). Exceptions have occurred in years with adverse crop production weather (2005 and 2012).

The pattern of residual steer and heifer slaughter through the year has been shifting in recent years, with more slaughter coming during the summer months at the expense of the late winter and spring quarter. This is probably the consequence of fewer crop farmers putting cattle into small feedlots in the fall (at the time of crop harvest) to market their grain through cattle that are sold early in the following year.

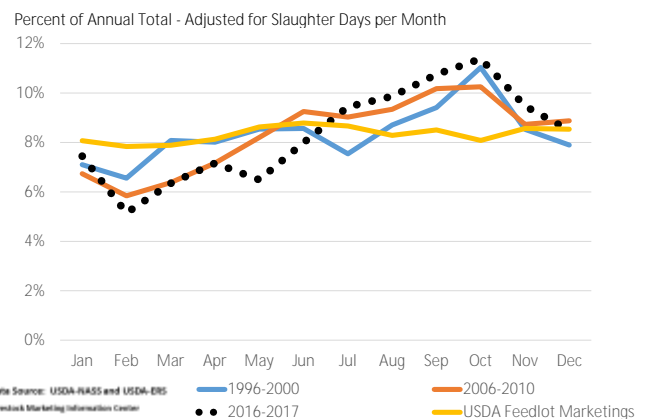
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