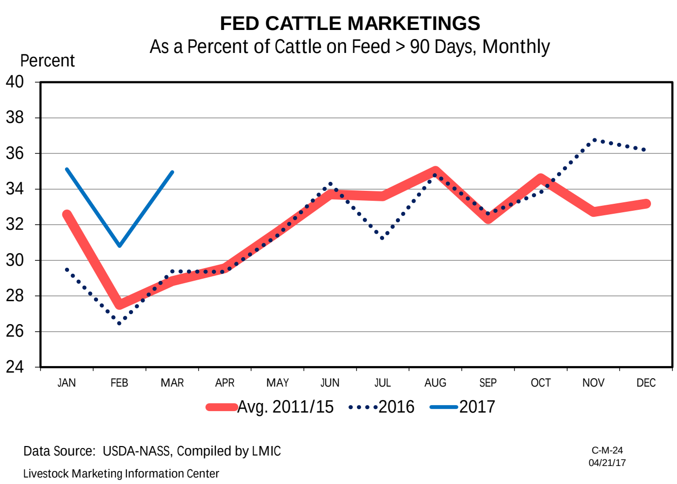
Daily Livestock Report

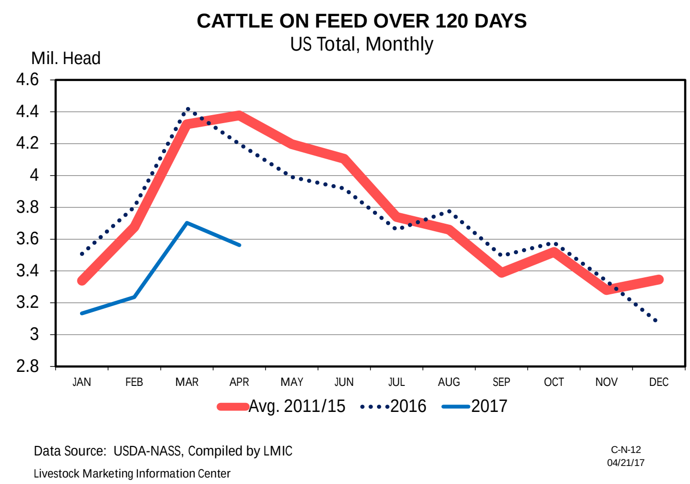
Sponsored in part by CME Group

Vol. 15, No. 90/ May 9, 2017

Beef demand from both domestic and export interests has been on the upswing since late last year and cattle feeders have not been shy about exploiting the situation. Feedlot marketing rates, as defined by monthly feedlot marketing volumes relative to feedlot inventories on hand longer than 90 days moved above the five year average last November. The accelerated marketing pace has remained intact ever since, leading to bigger drawdowns in market-ready slaughter cattle inventories (see graph at right).



Feedlot inventories of cattle on feed over 120 days (in feedlots with 1000+head capacities sampled by USDA-National Agriculture Statistics Service (NASS) on April 1 were at the lowest levels in ten years. Actual daily slaughter data for steers and heifers during the first two-thirds of April, which is a good indicator of feedlot marketings during a month was up 2% from last year. A preliminary bead on April placements using weekly feeder cattle auction data from USDA-Agriculture Marketing Service suggests a 2% gain from last year, although total feeder cattle receipts (including direct and video/internet markets) points higher by maybe as much as 10%. An adjustment also needs to be made for one less work day this April than in April 2016. Combining these numbers with an allowance for normal other disappearance from feedlots during April gives a



projected May 1 feedlot inventory close to unchanged from a year earlier.

This exercise translates into April feedlot marketing rates that are as impressive as prior months. In March, feedlot marketings as a percent of cattle on feed longer than 120 days was 55%. The prior high during the last ten years was in 2011 at 49%. The prospective marketing rate for April would be 52%. The prior peak marketing rate during the past ten years was 49% in 2014. Under this scenario, inventories of cattle on feed over 120 days declines by 1% from the prior month and is down 11% from a year earlier.

Feedlot inventories on feed longer than 90 days would be down 4% from a year earlier but up 170,000 head from a month earlier. Over the course of 2007-2016, 90 day feedlot inventories averaged a 45,000 head decline during April. The May 1 90 day cattle inventory change from a year ago of 4% compares with a 6% decline on April 1. The trend that could possibly be starting to surface in 90 day feedlot inventories would flow through to similar developments for 120 day feedlot inventories (i.e. slaughter-ready cattle) by late spring and summer. This is a normal seasonal trend for the feedlot industry. The discount between the spot choice cattle price and live cattle futures values should work to encourage beef demand to accommodate the increasing supply of cattle.