

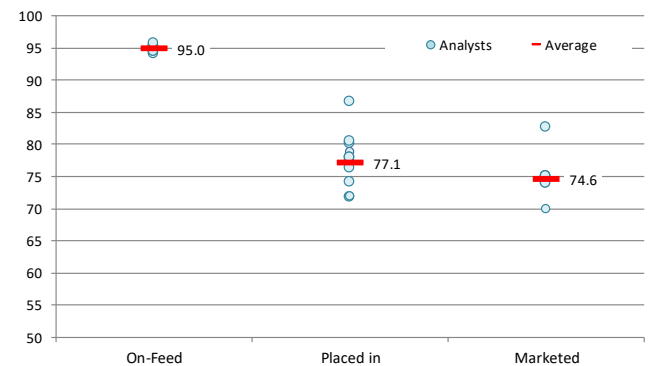
The upcoming USDA survey of feedlots with +1000 head capacity is expected to show slightly less cattle on feed than the previous month and fewer cattle than a year ago. Analysts polled ahead of the USDA survey on average expect the total inventory on feed as of May 1 to be down about 5% from a year ago. This would imply 590,000 fewer cattle on feed than a year ago. There has been much talk in recent weeks about the impact that the sharp decline in slaughter has had on feedlot inventories, causing a massive backup of cattle that normally should have come to market. So **how is it that the on feed inventory is down while we talk about cattle backing up?** The supply of cattle on feed is a function of the number of cattle that are placed on feed at any given point in time and the number of cattle that are marketed out of the feedlot. Faced with a sharp decline in the number of cattle leaving the feedlot, operators put the brakes on the number of cattle coming in. Placements of cattle on feed in March were down 457,000 head or 22.7% and **the survey of analysts suggests placements were down another 422,000 head or 22.1%.** Sales of feeder cattle over 600 pounds in the country during April were down about 30%, supporting analysts expectations for another double digit decline in placements. In the last two months, placements were down 879,000 head while marketings were down 257,000 head. The talk about the shortfall in slaughter covers all weeks through mid May while the marketing numbers are only for April. If we look at April alone, the number of fed cattle (steers and heifers) that were slaughtered was about 25% less than a year ago. Daily and weekly slaughter numbers include cattle coming from feedlots with +1000 head capacity as well as cattle from smaller feedlots. So the April slaughter data (preliminary) shows fed slaughter of about 1.654 million head, 552,478 head (-25%) smaller than a year ago. May slaughter is on track to be down by about 30%, hence some of the million cattle backup numbers thrown around. Missing in the discussion, however, is the fact that marketings in March were very strong, thanks to the fact that plants were fully operational and strong retail demand allowed packers to run harder.

But **back to the issue of cattle backed up in the feedlot.** There is no question that there are cattle that have been backed up in the feedlot. While the total supply of cattle on feed is expected to be down 5% from last year, **the front end supply is especially heavy.** Using the analyst estimates above, we calculate that the supply of cattle that on May 1 had been on feed for 120 days or more was 4.798 million head, about 416,000 head or 9.5% higher than a year ago. **The supply of cattle that on May 1 had been on feed for 150 days or more was 3.037 million head, 337,000 head or 12.5% higher than a year ago.** We went from a situation where the +150 day cattle were 11% lower than last year on March 1 to up 12.5% on May 1. Another thing suggesting cattle are backed up: fed cattle weights are now 5% or more above year ago levels. Cattle slaughter plants are slowly increasing production but it still remains well below year ago levels. Yesterday total cattle slaughter was over 100,000 head for the first time since early April. Fed cattle slaughter is estimated at 78k head per day. But this daily fed slaughter number is still 17k head per day less than it was at this time last year. Working down the backlog of cattle created in the last 7 weeks will be a challenge. Packers are paying as much as \$120/cwt for cattle this week and yet June is trading under \$100. In our view, this has less to do with the market opinion on wholesale beef prices after Memorial Day than it has with the supply of finished and overfinished cattle available next month and the delivery option available.

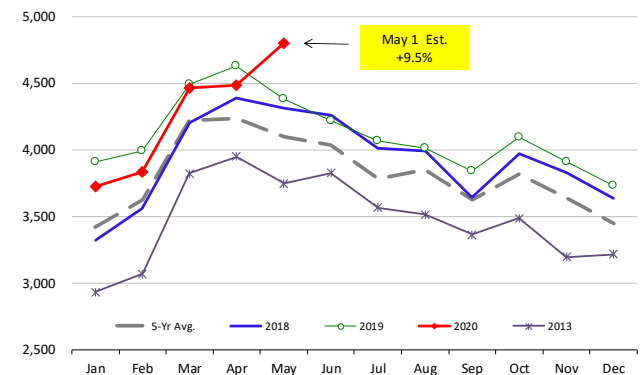
May 2020 COF Pre-Report Estimates. UB Survey
percent of year ago volumes. 11 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed May 1	95.0%	11,217	94.1% - 95.7%
Placed on Feed in Apr	77.1%	1,420	71.8% - 86.7%
Marketed in Apr	74.6%	1,438	70.0% - 82.7%

Distribution of Analyst Estimates of May USDA Cattle on Feed Report
Based on Analyst Survey from Urner Barry. Prepared by: Steiner Consulting



INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE
Calculated using the USDA Monthly "Cattle on Feed" Report



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