

Analysts polled ahead of the upcoming USDA 'Cattle on Feed' report agree that **feedlots placed fewer cattle on feed this April than they did a year ago**. The main disagreement is about the magnitude of the decline. On average the nine analysts asked by Urner Barry said they expect placements to be down 9.4% compared to a year ago. If correct, this would imply 1.674 million head of cattle were placed in feedlots with +1000 head capacity and the second consecutive month of lower placements. **The decline in placements should be viewed in the broader context of higher placements last fall and earlier in the year.** Poor fall pastures and a sharp deterioration of winter wheat conditions forced producers to push more cattle into feedlots earlier. It is not unusual from a seasonality perspective for feedlots to place fewer cattle on feed in April than in March due to the flow of cattle from winter wheat pastures into feedlots. April cattle sales in the country were lower, supporting the view that feedlots placed fewer cattle on feed for the month. In the four April weeks, total auction sales were down 6.5% compared to the same four week period a year ago. Sales of cattle weighing 600 pounds or more were 6.9% lower than a year ago. Direct sales of +600 pound cattle were down 26% and video/internet sales of similar cattle were down 19%. Overall, total receipts during these four weeks, for all weights, were down 15.4%. **Sales of +600 pound cattle through the various marketing channels in April were 18.9% lower than a year ago.** The sales data tells us about the trend but it is not a very good predictor of the actual placements. The reduction in feeder cattle imports has further reduced the number of cattle placed on feed in US feedlots. Feeder cattle imports from Mexico in April (based on weekly data) were down 26,747 head or -29% compared to a year ago. Feeder cattle imports from Canada during this period were 917 head lower or -17%.

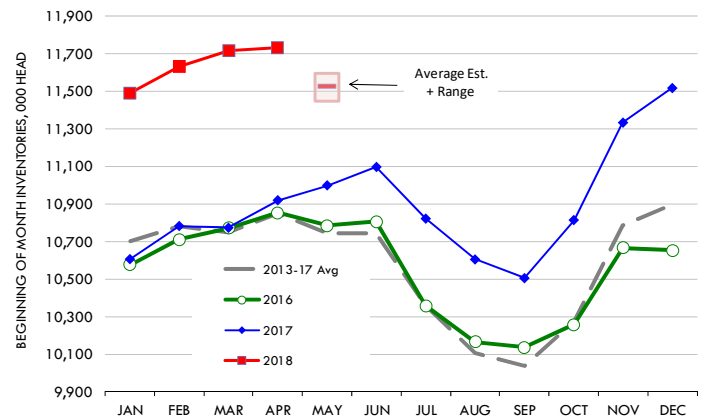
If we go with the average of analyst estimates, **cattle placements in March and April were down some 370,000 head compared to a year ago**. This has little impact on the supply of cattle that will be marketed this summer but will impact availability by fall and early winter. According to our calculations, the inventory of +120day cattle on May 1 is expected to be almost 3.8 million head, 21% higher than a year ago. This is the largest +120day inventory since 2012. On May 1, 2012 feedlots had some 4.124 million head of +120day cattle on feed. A robust marketing rate that summer allowed feedlots to quickly work through the available supply. Lower placements in Mar/Apr 2012 and the strong marketing rate caused market ready cattle supplies to decline sharply by fall, setting the stage for higher cattle prices in Q4. Our initial estimates are that the marketing rate in May will be similar to what it was back in 2012. Participants will pay close attention to the rate of marketings during June-Aug and assess if current premiums for Q4 are warranted or if there is even more upside risk considering the level of demand in domestic and export markets.

May 2018 COF Pre-Report Estimates. Urner Barry Survey percent of year ago volumes. 9 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed May 1	104.8%	11,526	104.1% - 105.4%
Placed on Feed in Apr	90.6%	1,674	85.6% - 94.2%
Marketed in Apr	106.0%	1,805	105.7% - 106.3%

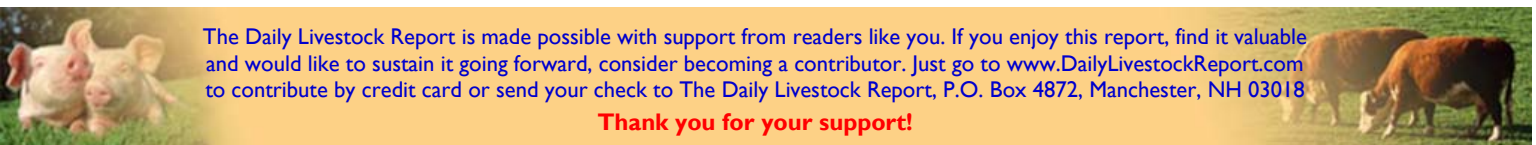
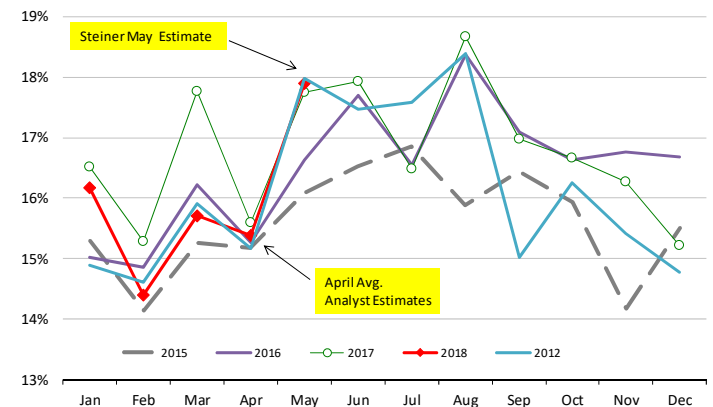
USA Cattle on Feed Inventory

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA



FEEDLOT TURN-OVER RATE (MARKETING RATIO VS. INVENTORY)

Calculated using USDA Monthly "Cattle on Feed" Survey Data



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