

At the end of yesterday's newsletter we said that today there would be more discussion of the latest Cattle on Feed Report from USDA's National Agricultural Statistics Service (NASS). Compared to most May 1 Cattle on Feed reports this one warrants additional attention.

First we reinforce a point made yesterday that daily average cattle marketed by feedlots remained robust in April (as shown in the graphic below), especially when compared to a year ago. Daily average marketing's have been above the 5-year average (2011-2015) since last October. During the first four months of 2017, NASS reported head marketed at 6.5% above 2016's (up 431,000 head). Much of the increase in marketing's so far this year has been due to a more normal feedlot animal turn-over rate compared to the slow pace in 2016. For the first four months of this year, compared to the prior 5-year average (2011-2015), cattle marketed increased by 1.3% or about 88,000 head.

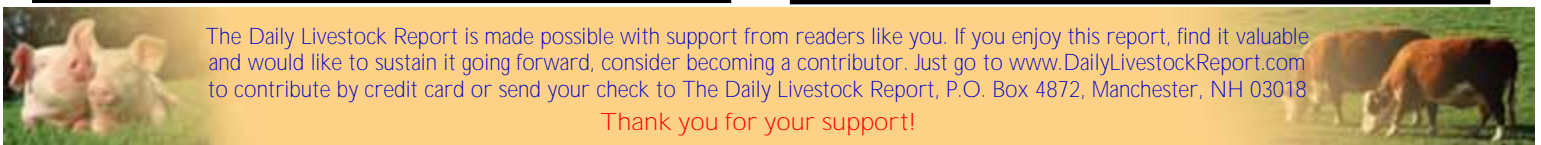
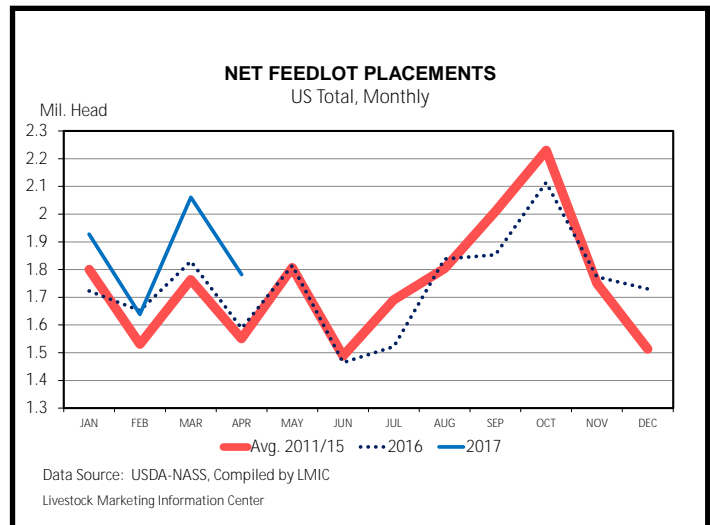
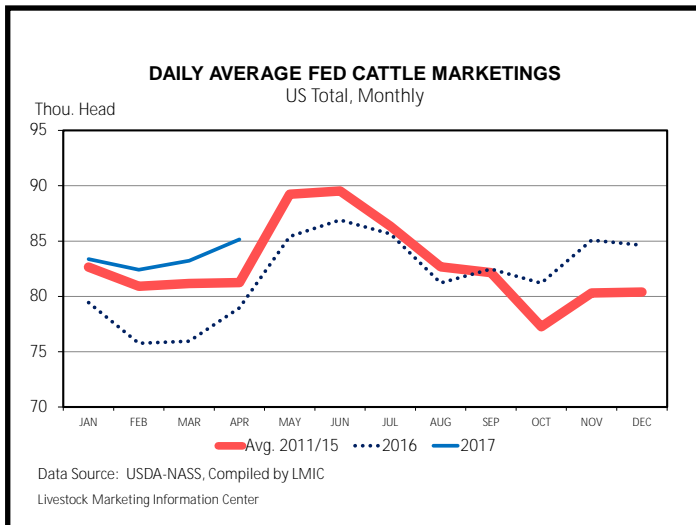
Fed cattle marketing's have been underpinned by strong demand for beef, both domestic and foreign, which has kept packers searching for animals. Other factors also have encouraged cattle to be marketed, not the least of which has been the fed cattle basis (difference between cash and futures price). Our visits with bankers and cattle feeders indicate that many more cattle were hedged in recent months than in several years.

Buy historical standards, the number of animals placed into feedlots so far in 2017 has been large. Net placements is the

head placed less other disappearance (other disappearance is largely death loss, animals moved from one feedlot to another, and sometimes some animals exit feedlots to pastures even though the NASS survey indicates only animals on "full feed for slaughter" are to be counted). Net placements for the first four months of 2017 totaled 7.4 million head, which was up 9.1% or 616,000 head year-over-year. Importantly, compared to the prior 5-year average (2011-2015) the number of animals placed in January-April was 11.2% higher (up 764,000 head). In fact, head placed into U.S. monthly reported feedlots during the first four months of this year was the largest since January-April of 2000.

Historically large placement's have been driven by the improved economic environment of U.S. cattle feeding cattle compared to the last two dismal years. Cattle feeding profits so far this year have been very positive. The Livestock Marketing Information Center estimated that slaughter steers sold in April had the highest profit for that month since they began estimates in 1975.

Large placements so far in 2017 will contribute to increasing fed cattle marketing's beginning late this summer and pressure prices compared to current levels. In terms of the feeder cattle market, note that the year-over-year increase in the feeder cattle supply outside of feedlots that was estimated as of January 1 of this year has already been placed on-feed. Of course, the spring born U.S. 2017 new crop of calves is now on the ground and will become available to feedlots and stocker operations this fall.



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com. Copyright © 2016 Steiner Consulting Group, DLR Division, Inc. All rights reserved.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group, CME and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.