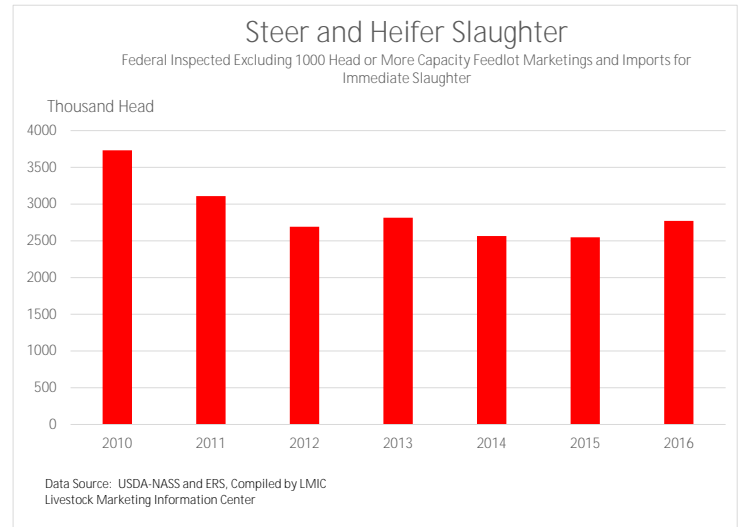


Steer and heifer slaughter in the US under Federal Inspection (FI) last year totaled 24.2 million head. Marketings from feedlots with capacities over 1000 head accounted for 20.9 million of that slaughter. The other components of total steer and heifer harvest are imports for immediate slaughter and steers and heifer marketed from feedlots with smaller capacities or directly off of pasture. Last year, cattle imports for immediate slaughter (mostly from Canada) totaled about 550,000 head, leaving the remainder of FI steer and heifer kill (close to 2.8 million head) to come from the residual category of small feedlots and pastures. The annual tally from this “residual” category was the most since 2013, falling short of that year’s total by 40,000 head.

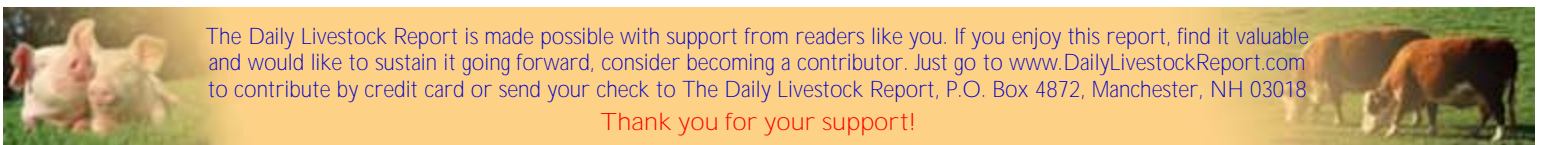
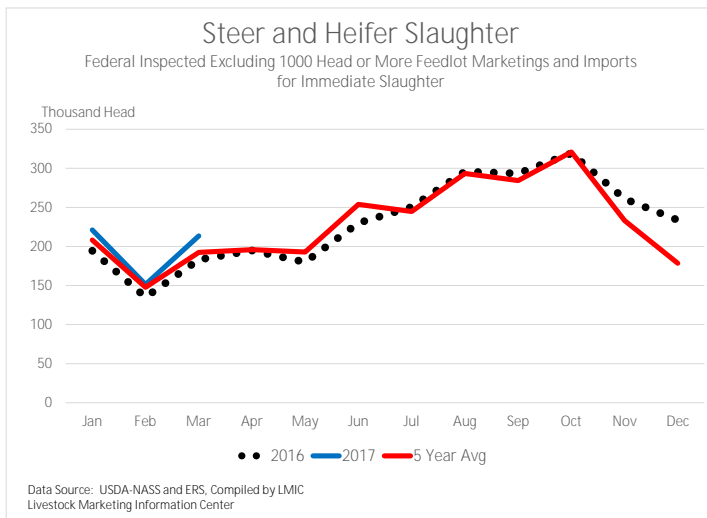
Trends in steer and heifer slaughter sourced from smaller feedlots and pasture have mirrored the size of the calf crop with a lag of a year or two to reflect the grow out period of the animal. Pasture conditions and cattle industry incentives affecting the decision to expand or contract the breeding herd also come into play. Last, and not least, the desire of the commercial cattle feeding industry to place cattle into their feedlots defines how many cattle will be left for the smaller cattle feeding operations. Traditionally, smaller cattle feeders have been grain farmers that saw cattle feeding as a way to market grain in years when grain prices were low (usually when corn harvest was abundant).

During the first three months of this year, “residual” steer and heifer slaughter has averaged about 25,000 head per month above a year ago. At this pace, this sector of cattle slaughter would be the



largest since 2010 and about the same as 2011. Percentage-wise, this would be a 10-15% increase from last year. Last summer, when the cattle that were marketed during the first quarter of this year were being put into feedlots, large commercial feedlots placed 5% more cattle than the prior summer. This followed a 7% year-over-year increase during the spring quarter. Meanwhile, calf prices last summer were down 38% from a year earlier, dampening the enthusiasm to hold onto young heifers for breeding purposes and perhaps pushing marginal numbers of calves into small feedlots. USDA-NASS (National Agricultural Statistics Service) estimated that 6.4 million heifers were being retained for breeding purposes at the end of 2016, up 1% from a year earlier. A tidal-wave of heifers being redirected from pastures to small feedlots in response to lower calf prices did not seem to be in play.

FI steer and heifer slaughter in April was up 2% from the prior April. Marketings of cattle from feedlots with capacities over 1000 head were up 3%. Data on cattle imports for April from USDA-ERS (Economic Research Service) is not available yet. If it is close to March numbers the supply of steers and heifers from small feedlots or coming off pasture for the month would have been down 4% from a year ago. This would be the first year-over-year decline in cattle supply from this sector in 2017, and would be another factor supporting higher-spiraling cattle prices this quarter.



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