

Placements of cattle on feed during three of the first four months of this year have been above the same months in 2016. The increases have been significantly above a year ago. The trend in expanded feedlot placements actually started in November and December of last year. So far this year, feedlot placements have exceeded a year ago by 595,000 head, an increase of 8%. The same comparison that also includes the last three months of 2016 shows an increase in placements of 981,000 head from a year earlier.

The most pertinent source of cattle responsible for this increase in placements would be the US calf crops of 2016, and to a lesser extent 2015. The 2015 calf crop was up 565,000 head from the prior year and the 2016 calf crop increased by 996,000 head. Other factors to be considered would be the relative change in availability of imported feeder cattle and heifers kept for breeding purposes.

USDA-NASS (National Agriculture Statistical Service) estimated earlier this year that end-of-2016 heifers retained for breeding purposes increased by 23,000 head from a year earlier, so this is basically a non-issue as a supplement or subtraction from cattle available to be placed in feedlots.

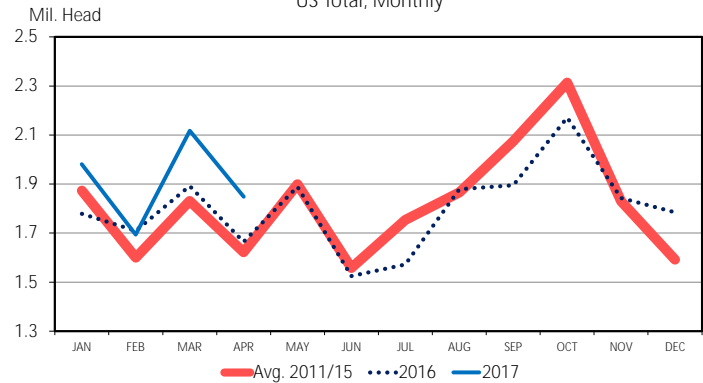
Feeder cattle imports from Mexico and Canada, according to USDA-ERS (Economic Research Service), are up by 14,000 head from last October to this April. This does not put much of a dent in 981,000 head increase in placements over the same interval.

The conclusion to be made from this data is that most of the increase in calf crops that has been registered for 2016, or earlier, has already been moved into feedlots. From this point forward, it becomes difficult to see how the supply of calves or yearling cattle will support any increase in feedlot placements relative to a year earlier. With that said, however, it is worth taking a peek at weekly feeder cattle receipt data compiled by USDA-AMS (Agriculture Marketing Service) for May.

Total weekly feeder cattle receipts in May, as published in the AMS weekly report SJ_LS850 were up 14% from a year earlier. Auction receipts were up 16% while direct sales report to USDA-AMS were up 13%. A look back at May 2016 showed weekly receipts down 19% from May 2015. Meanwhile feedlot placements, as estimated by USDA-NASS for May 2016 were up 10% from May 2015. It could be that May weekly feeder cattle receipt data is not that reliable of an indicator of feedlot placements. The weekly data does show a surge in trade volume during the second week in May, the week that followed feeder

FEEDLOT PLACEMENTS

US Total, Monthly

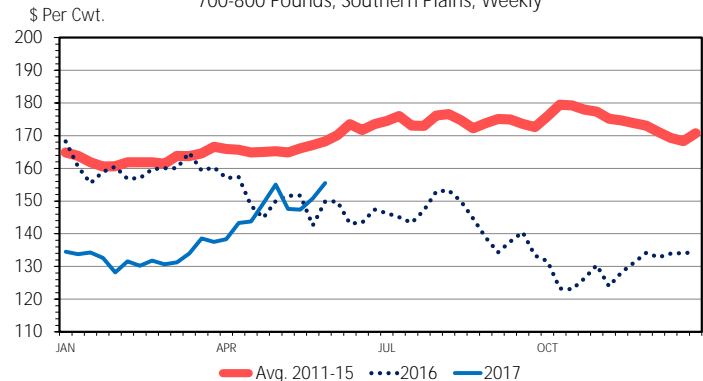


Data Source: USDA-NASS
Livestock Marketing Information Center

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MED. & LRG. #1 FEEDER STEER PRICES

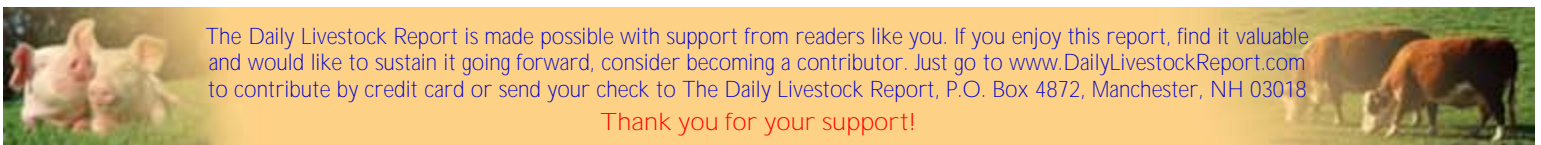
700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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cattle prices climbing to the highest prices for the year-to-date. During that week, all cattle prices were weaker but feeders suffered more, proportionately, than slaughter cattle prices. Forty-three percent of auction receipts were heifers this May, versus 41% a year earlier. Direct feeder trade featured 41% heifers compared to 24% in May 2016.



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