Daily Livestock Report

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<u>There is broad expectation that cattle inventory numbers continued to increase in May as the rate of the number placed on feed outpaced the number of animals marketed</u>. Before we look at the numbers keep in mind that there were 22 full slaughter days in May compared to 21 a year ago. Key highlights:

<u>Are we really going to see double digit placements in May after two months of larger than expected placements?</u> It is possible given the excellent profit opportunities and early indications that indeed feedlots were quite aggressive in trying to buy cattle last month. Auction receipts were up roughly 16% year over year although the percentage of +600lb cattle was a bit lower at 54% compared to 57% a year ago. Direct sales (which are a lot smaller) also were higher, but again with a larger percentage of light cattle in the mix. Activity in the country was brisk in May thanks to the sharp runup in futures but remains to be seen how much of this was cattle simply changing hands rather than flowing into feedlots. **<u>Placements in the South may have been larger than expected in part due to a significant inflow of feeders from Mexico</u>**. Weekly import data shows that imports of Mexican feeder cattle during the four full weeks in May were about 31,400 head (+54%) higher than the previous year. Some of the increase in Mexican feeder cattle imports was likely offset by the sharp drop in Canadian feeder imports. During the same reference period imports of Canadian cattle were down a little over 19,000 head (-72%). Combined imports of Mexican and Canadian cattle during the four full weeks in May were up 12,120 head (+14%) compared to a year ago. On average **<u>analysts polled by Urner Barry expect May placements to exceed 2 million head, 10% above year ago levels</u>**. If this number is correct, it would mean that feedlots during March, April and May placed some 585,000 MORE cattle than a year ago. Many of these additional numbers will likely come to market in late summer and early fall, hence the current futures discount for that time of the year. Front end supplies still are under where they were last year, with the +120day inventory calculated down 9% from year ago levels. But given the inflow of the last three months, it becomes imperative for feedlots to remain aggressive in marketing cattle even if in the short term this leads to some outsize profits for packers. Ultimately the goal is to provide retailers and foodservice operators the ability to feature beef and support the expanding US cattle herd. Further complicating matters are news reports that JBS is looking to sell off its feedlot division (Five Rivers), the largest in the world. At minimum this adds more uncertainty in the cattle feeding complex. As to the real market effect, much will depend on how the assets are sold and how long the situation takes to play out. Analysts caution that the Packers and Stockyards Act should help protect producers that currently sell calves to the entities involved.

Marketings in May are expected to be up almost 9% from a year ago. Even when we adjust for the extra marketing day marketings are still higher year/year, in line with the higher steer/heifer slaughter numbers.

June 2017 COF Pre-Report Estimates. Urner Barry Survey

percent of year ago volumes. 10 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jun 1	102.2%	11,042	101.7% - 103.0%
Placed on Feed in May	110.1%	2,080	106.5% - 114.0%
Marketed in May	108.8%	1,952	108.1% - 111.0%