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USDA will release two cattle inventory reports on Friday. Today we'll focus on the monthly feedlot inventory numbers and tomorrow we will cover the semi-annual cattle inventory, including estimates from the Livestock Market Information Center.

Analysts polled by Urner Barry ahead of the upcoming report on average expect **July 1 on feed inventories to be up 4.3% compared to a year ago**. If correct, the on feed inventory would represent a decline of 267,000 head from the June 1 inventory. Still, this **would be the largest July 1 on feed inventory since the survey started in the mid 1990s**. Seasonally feedlot inventories decline in the summer as strong beef demand bolsters marketings while placements seasonally decline. As is often the case, there is a wide range of opinions about the number of cattle that were placed on feed during June. Most **analysts polled expect to see more cattle placed on feed during the month**. Last year June placements were 1.770 million head, 16% higher than in 2016 and the highest June placement numbers since 2006. If analysts are correct, June placements this year will be almost 1.8 million head. A number of factors point to robust placement numbers last month. Cattle sales in the country were significantly higher than a year ago. In the four weeks ending June 30 auction sales averaged 186,000 head/week, 23% higher than the same four week period a year ago. Auction sales of cattle over 600 pounds averaged 97,560 head per week, 20% higher than last year. Direct sales during the reference period averaged 51,275 head/week, 25% higher than last year and total cattle slaughter averaged 279,800 head per week, 17% above last year's levels. Indeed, auction sales data this year is much more active than for the same period a year ago.

In addition to higher auction sales data, analyst placement estimates likely were buoyed by **the big increase in the number of feeders coming from Mexico and Canada**. The strong US dollar and robust fed cattle values in May and June likely made US bids much more attractive. In the four weeks ending June 30 feeder cattle imports from Canada were a total of 12,124 head (based on weekly USDA data), 6,056 head or 100% higher than last year. For the same period, imports of feeder cattle from Mexico were a total of 99,230 head, 32,031 head or 48% higher than a year ago. The combined increase of feeder cattle imports from Canada and Mexico was 38,087, a 52% increase vs. 2017. By comparison, analysts on average expect feedlot placements in June to be up around 23,000 head compared to year ago levels (1.793 million vs. 1.770 million last year). October and December fed cattle futures rallied in June while corn prices took a 55 cent dive, both factors that also may have encouraged feedlots to chase feeder cattle more aggressively. While placements last year were quite large, the data does support the view for even larger placements this year.

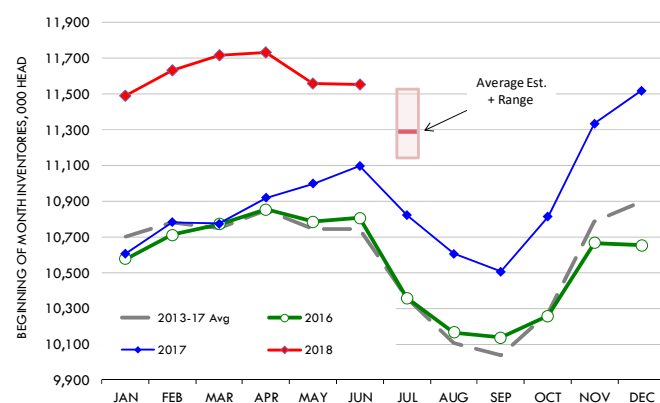
The marketing number should not hold any big surprises (despite the spread in analyst estimates). Based on daily USDA slaughter numbers, fed cattle slaughter in June was 2.291 million head, 0.6% higher than a year ago. Analysts on average expect marketings in June to be 0.8% higher than last year.

July 2018 COF Pre-Report Estimates. Urner Barry Survey
percent of year ago volumes. 12 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jul 1	104.3%	11,286	103.0% - 106.4%
Placed on Feed in Jun	101.3%	1,793	95.5% - 106.6%
Marketed in Jun	100.8%	2,005	98.6% - 102.0%

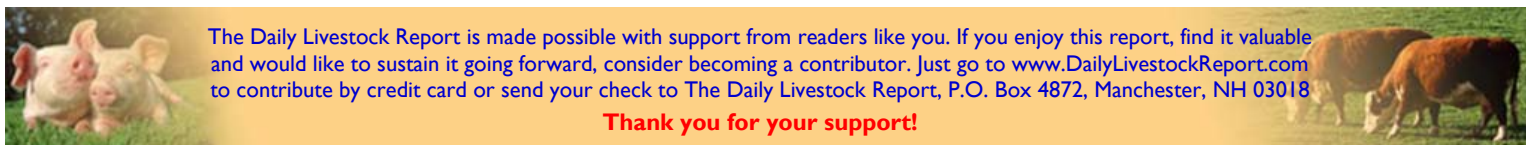
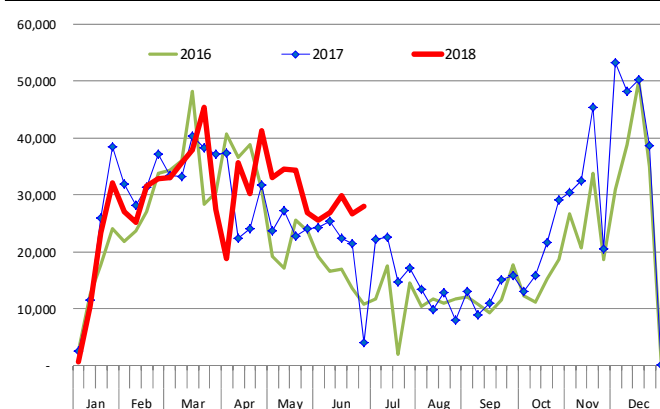
USA Cattle on Feed Inventory

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



US Weekly Imports of Feeder Cattle From Mexico & Canada

Data source: USDA-AMS



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