

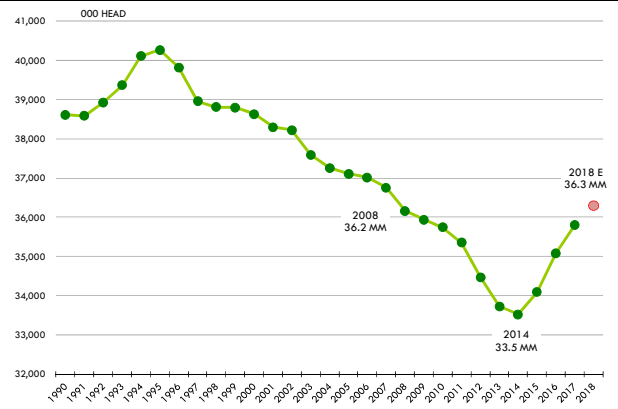
If the cattle on feed report tells us about potential beef supplies in the next six months, the **cattle inventory numbers offer insights about potential beef production for the next two years**. Twice a year USDA does a survey of beef producers and updates its count of cattle at various stages of production. The July cattle inventory is based on a smaller sample and there are some gaps in the data for those years when budget issues prevented USDA from conducting the survey. Still, we think this is an important report that allows market participants to calibrate their supply expectations for the next couple of years.

On page 2 we have included the LMIC estimates of the upcoming USDA cattle inventory report (7/20 at 3PM ET). One of the numbers in the report that analysts will likely pay close attention to will be the calf crop. This will be the first estimate of the calf crop for the year and it is a number that will likely be revised in January of next year when producers report on the number of calves born in the spring and fall. Most calves in the year still are born in the spring, however, and the July calf crop estimate generally provides a good indication. **LMIC expects the calf crop for 2018 to be 36.3 million head, 492k head (+1.4%) higher than the previous year**. The increase in the calf crop implies that cattle slaughter should continue to increase in the next 18-24 months but the rate of increase will likely slow down. The calf crop in 2016 increased by almost 1 million head and it was 726k head higher in 2017. The calf crop estimate also allows analysts to examine the calving rate for the year. The rate could offer cues about any potential adverse factors that affect productivity.

Dry conditions in a number of key cow-calf producing regions have impacted feed supplies and likely pushed more cows to market this year. Beef cow slaughter during the first six months of the year is estimated at 1.493 million head (we estimated June slaughter), 146k head or 10.8% higher than the previous year. Dairy cow slaughter during the first six months of the year is estimated at 1.566 million head, 71k head or 4.7% higher than last year. The increase in the beef cow slaughter does not necessarily mean a contraction in the beef herd and liquidation. After all, the beef cow inventory has been increasing in recent years and this implies a larger supply of cull cows. The ratio of the beef cow slaughter in the first six months of the year vs. the beef cow inventory at the start of the year was 4.7% compared to 4.3% the previous year. Still, the ratio is lower than what we have seen during years of true liquidation. Between 2010 and 2013 the ratio of beef cow slaughter in the first half of the year vs. the inventory at the start of the year was 5.4%. Heifer retention this year is expected to decline. LMIC thinks the number of heifers held back for beef cow herd rebuilding will be down about 200k head or 4.3% compared to a year ago. There are currently more heifers going into feedlots. The chart to the right shows the relationship between the beef cow inventory vs. heifer retention in the previous year. The LMIC estimate for beef cow inventories on July 1 corresponds to the heifer retention numbers we saw last year. If heifer retention declines by 4.3% (remember this is one estimate) on July 1, 2018 it could imply a 1.5% reduction in the beef cow herd on July 1, 2019. But much will depend on pasture conditions and beef demand in the next 12 months.

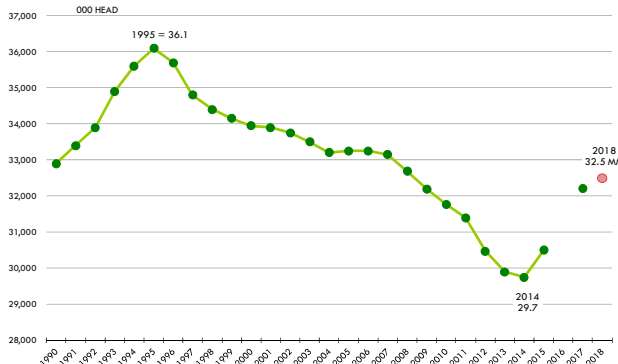
USA ANNUAL CALF CROP

July 2018 LMIC Estimate + Historical Actual from USDA-NASS



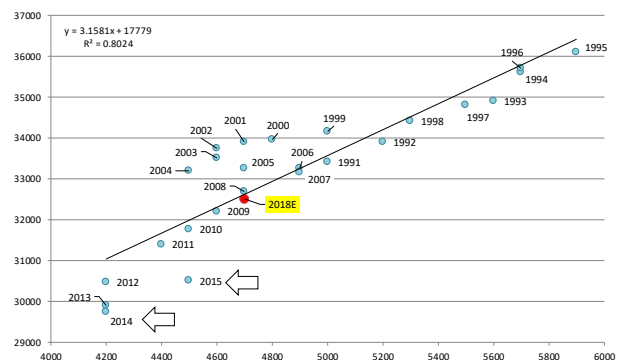
USA JULY 1 BEEF COW INVENTORY

Gaps in the Chart Reflect Years When USDA Did Not Conduct a Survey. 2018 Estimate from LMIC.



Beef Cow Inventory vs. Heifer Retention in Previous Year

Based on Historical Data Since 1990 + Current LMIC Estimate for 2018 Beef Cow Herd



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.

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.

Daily Livestock Report

Sponsored by  **CME Group**

Vol. 15, No. 143 / July 19, 2018

JULY 1 U S CATTLE INVENTORY

(1,000 Head)

LMIC Pre-Report Estimates

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 E	'18 % Change from '17
All Cattle & Calves	103,300	102,000	101,100	100,000	97,800	96,300	95,700	98,200		102,200	103,200	101.0%
Cows & Heifers That Have Calved	42,000	41,400	40,900	40,600	39,700	39,150	39,000	39,800		41,600	41,900	100.7%
Beef Cows	32,682	32,196	31,767	31,398	30,467	29,900	29,750	30,500		32,200	32,500	100.9%
Dairy Cows	9,318	9,204	9,133	9,202	9,233	9,250	9,250	9,300		9,400	9,400	100.0%
Heifers, 500 Lbs. & Over	16,300	16,200	16,200	16,000	15,700	15,550	15,500	15,700		16,200	16,300	100.6%
Beef Cow Replacements	4,600	4,500	4,400	4,200	4,200	4,200	4,500	4,800		4,700	4,500	95.7%
Dairy Cow Replacements	3,900	3,950	4,050	4,200	4,100	4,150	4,100	4,200		4,200	4,100	97.6%
Other Heifers	7,800	7,750	7,750	7,600	7,400	7,200	6,900	6,700		7,300	7,700	105.5%
Steers, 500 Lbs. & Over	14,700	14,400	14,400	14,200	14,000	13,700	13,500	14,100		14,500	14,700	101.4%
Bulls, 500 Lbs. & Over	2,100	2,100	2,100	2,000	1,900	1,900	1,900	1,900		2,000	2,000	100.0%
Lbs.	28,200	27,900	27,500	27,200	26,500	26,000	25,800	26,700		27,900	28,300	101.4%
Calf Crop (Estimated)	36,158	35,939	35,740	35,357	34,469	33,730	33,522	34,087	35,083	35,808	36,300	101.4%

The Daily Livestock Report is made possible with support from readers like you. If you enjoy reading this report and would like to sustain it going forward, consider becoming a contributor by going to our website: www.DailyLivestockReport.com

Thank you for your support!