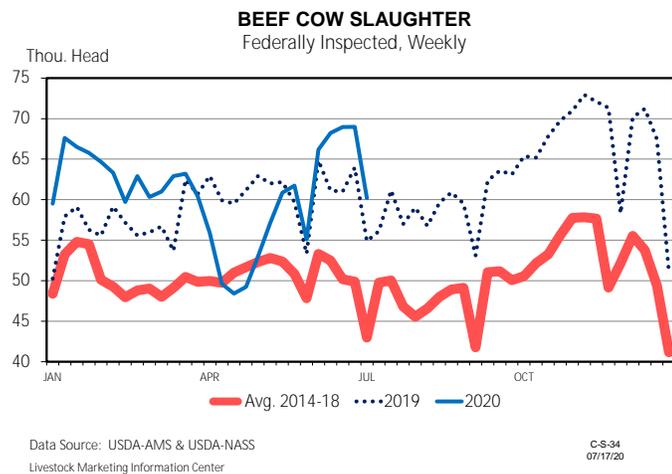


This Friday USDA NASS will release the cattle inventory report. The first look at this year's calf crop and better understanding of how the cow-calf sector is faring during these uncertain times.

Beef cow slaughter has moved dramatically both above and below a year ago. Year-to-date it calculates as 3.2% ahead of last year. The high peaks seen over the last couple of weeks may be cows that were not able to be slaughtered in April and May and those weeks were to catch up. However, the latest data point is the 4th of July holiday week. It remains to be seen if actual slaughter released Thursday will see beef cow slaughter jump back up.



The rest of the year will be interesting to watch regardless of the July 1 beef cow number. Cow-calf producers continue to face deteriorating pasture conditions across the U.S. and the calf market this Fall still holds uncertainty. It seems likely that the U.S. cow herd will cull harder in the second half of the year leaving a larger drop year over year on Jan 1, 2021 than July 1, 2020. That is not the consensus of the pre-report analysts.

Beef replacements estimates have a large spread, 97.7—102.3 compared to a year ago. That range is representing two different scenarios for the second half of the year. On the lower end it would imply cow-calf producers are more pessimistic regarding the future, more contraction, and heifers will not backfill culled cows. On the high end, it would imply cow-calf producers are more optimistic, holding back heifers to increase the cow herd

moving forward. A neutral position would indicate culled cows are being replaced through normal herd turnover.

The number of animals backed up on feed is another unknown analysts have been trying to estimate over the last couple of months. Other heifers and steers larger than 500 pounds are the categories that would be representative of this phenomenon, but only provide the point estimate as of July 1. Other heifers category is the largest year over year increase, with analyst consensus being up 3.2%. Steers larger than 500 lbs. is estimated to be higher than last year by 1.4%. The ranges around both of these estimates are more than a percent spread.

Pre-report estimates for July 1 cattle Inventory expect the beef cow herd to be down about 1%, and the calf crop is expected to decline by 1% matching changes to the beef cow herd. The dairy herd is expected to grow slightly and analysts were in agreement that dairy heifer retention is happening, at 2.4%. The total all cattle and calves is expected to be very similar to a year ago, with analysts +/- less than half a percent from last year's figure.

| USDA-NASS Cattle Pre-report Estimates |               |                    |
|---------------------------------------|---------------|--------------------|
|                                       | % of Year Ago |                    |
|                                       | Average       | Range of Estimates |
| All Cattle & Calves Jul. 1            | 100.0         | 99.6 - 100.3       |
| Total Cows/Heifers Calved Jul. 1      | 99.4          | 98.9 - 99.8        |
| Beef Cows/Heifers                     | 99.0          | 98.5 - 99.4        |
| Dairy Cows/Heifers                    | 100.8         | 100.5 - 101.1      |
| Heifers 500 Pounds and Heavier Jul. 1 | 102.1         | 101.2 - 103.0      |
| Beef Replacement Heifers              | 100.0         | 97.7 - 102.3       |
| Dairy Replacement Heifers             | 102.4         | 102.4 - 102.4      |
| Other Heifers                         | 103.2         | 102.5 - 103.8      |
| Steers 500 Pounds and Heavier Jul. 1  | 101.4         | 100.7 - 102.0      |
| Bulls 500 Pounds and Heavier Jul. 1   | 100.0         | 100.0 - 100.0      |
| Calves Under 500 Pounds Jul. 1        | 101.7         | 98.2 - 99.3        |
| 2020 National Calf Crop               | 99.0          | 98.7 - 99.3        |

Source: Urner Barry (used with permission)



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