Daily Livestock Report

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Vol. 15, No. 143 / July 24, 2017

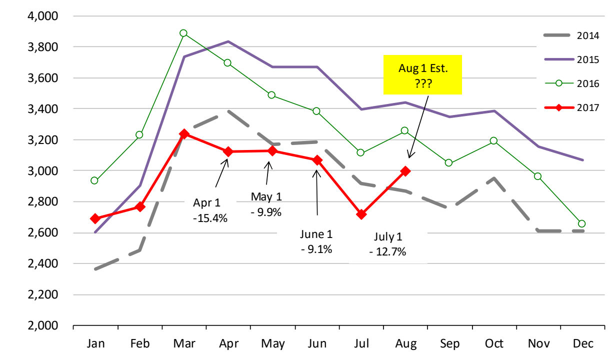
There were two key reports released on Friday that directly impact the cattle market and, as of this writing, both fed and feeder cattle futures are down sharply due to the bearish implications of those reports.

Cattle on Feed: US on feed cattle supplies continue to expand. The sharp increase in the rate of placements in the last few months indicates that feeder supplies may be a bit larger than earlier thought. But we also caution readers that one needs to look behind the headline placement number. True placements were larger in May and June but they also skewed light. With the opportunity to lock in profits, feedlots dug deeper into the feeder supply. Drought in Northern Plains also may have pushed some calves into feedlots earlier than normal. Beef demand remains in good shape but retailers will need to see lower prices in Aug/Sep/Oct in order to book features for the holidays. Beef cutout has been moving lower and we will likely continue to see downward pressure on the cutout in the near term. Feedlots with a capacity of +1000 head of cattle placed 1.770 million head of cattle on feed in June, 16.1% more than year ago. Analysts polled prior to the report on average expected placements to be up only 5.9% vs. last year. This is the fourth month of double digit increases in the number of cattle placed on feed. During Mar-June feedlots have placed some 884,000 head more cattle on feed than during the same period a year ago. By definition those cattle on July 1 had been on feed less than 120 days. We think the +120 day supply on August may be about 8% less than last year assuming fed slaughter in July will be up about 3.5% compared to last year. But unless the marketing rate continues to outperform, the + 120 day cattle supply will quickly approach 2016 levels. Steer/heifer weights will be a key item to watch, indicating whether feedlots are falling behind in marketing cattle.

July 1 Cattle Inventory: The US cattle industry has recovered quite rapidly in the last three years and the charts to the right illustrate the gains in both the breeding herd and the number of calves coming to market. The beef cow herd in January was estimated at 31.21 million head, 3.5% larger than the previous year and 6.5% higher than two years ago. USDA did not conduct a survey last July so we do not have a basis for comparison but for July 1, 2017 the beef cow herd was estimated at 32.5 million head, 6.6% higher than in 2015. The July cow herd tends to be larger than the January count because bred heifers are not considered part of the cow herd until they drop a calf in the spring. The survey also indicated that the dairy herd continues to expand, something that we have seen in the monthly dairy inventory numbers as well. The dairy herd on July 1 was up 1.1% from two years ago. By far, however, the primary determinant for the increase in cow/beef supplies is the expansion of the beef cow herd. The larger herd implies a continued increase in the size of the calf crop. USDA estimates the calf crop for 2017 at 36.3 million head, the largest calf crop of the last ten years. If correct, this would represent a 3.5% increase over the calf crop produced last year and 6.5% higher than two years ago. The increase in the calf crop provides context to the steady increase in the number of cattle placed on feed. The feeder supply on July 1 was estimated by USDA at 37 million head, 1.6 million head (+4.5%) larger than it was on July 1, 2015. Cow herd expansion may be coming to an end, however as beef cow replacement numbers at 4.7 million head were 100,000 head (-2%) less than a year ago.

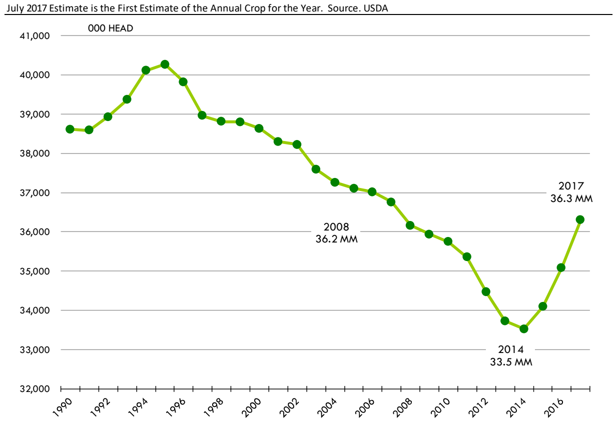
INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120DAYS OR MORE

Calcuated using the USDA Monthly "Cattle on Feed" Report



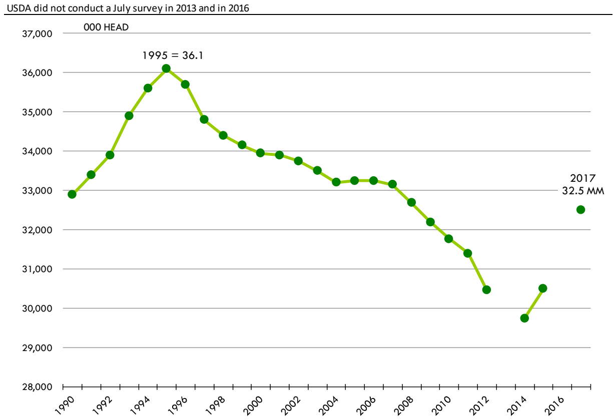
USA ANNUAL CALF CROP

July 2017 Estimate is the First Estimate of the Annual Crop for the Year. Source. USDA



USA JULY 1 BEEF COW INVENTORY

USDA did not conduct a July survey in 2013 and in 2016



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PRODUCTION & WKLY AVG. PRICE SUMMARY Week Ending 7/22/2017

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *Weekly Avg. Prices*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			22-Jul-17	15-Jul-17		23-Jul-16			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,827**	**1,698**	7.64%	**1,763**	3.65%	**51,681**	2.1%
	FI Slaughter	Thou. Head	622	629	-1.11%	597	4.26%	17,394	5.8%
C	FI Cow Slaughter **	Thou. Head	88	111	-20.50%	83	6.27%	2,941	3.2%
T	Avg. Dressed Weight	Lbs.	806	803	0.37%	821	-1.83%	807	-1.7%
T	Beef Production	Million Lbs.	500.3	504.2	-0.77%	488.8	2.35%	14,031	4.0%
L	Live Fed Steer Price	$ per cwt	118.02	119.51	-1.25%	114.64	2.95%		
E	Dressed Fed Steer Price	$ per cwt	188.06	190.06	-1.05%	184.75	1.79%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	163.33	153.61	6.33%	149.98	8.90%		
&	Choice Beef Cutout	$ per cwt	207.88	212.93	-2.37%	201.39	3.22%		
	Hide/Offal	$ per cwt, live wt	11.69	11.78	-0.76%	11.30	3.45%		
B	Rib Primal, Choice	$ per cwt	317.97	319.60	-0.51%	308.03	3.23%		
E	Round Primal, Choice	$ per cwt	173.86	175.77	-1.09%	160.60	8.26%		
E	Chuck Primal, Choice	$ per cwt	167.29	170.86	-2.09%	151.58	10.36%		
F	Trimmings, 50%	$ per cwt	88.96	95.74	-7.08%	90.39	-1.58%		
	Trimmings, 90%	$ per cwt	233.63	233.02	0.26%	217.12	7.60%		
	FI Slaughter	Thou. Head	2,213	2,195	0.82%	2,141	3.36%	65,255	2.8%
	FI Sow Slaughter **	Thou. Head	43.4	57.8	-24.83%	47.2	-7.96%	1,537	1.0%
H	Avg. Dressed Weight	Lbs.	207.0	207.0	0.00%	208.0	-0.48%	211	-0.5%
O	Pork Production	Million Lbs.	458.7	455.2	0.77%	445.9	2.87%	13,782	2.3%
G	Iowa-S. Minn. Base	Wtd. Avg.	85.70	87.47	-2.02%	71.58	19.73%		
S	Natl. Base Carcass Price	Wtd. Avg.	87.56	88.22	-0.75%	76.01	15.20%		
	Natl. Net Carcass Price	Wtd. Avg.	90.18	90.86	-0.75%	78.52	14.85%		
	Pork Cutout	205 Lbs.	103.93	104.83	-0.86%	89.85	15.67%		
	Ham Primal	$ per cwt	79.12	78.07	1.34%	77.08	2.65%		
	Loin Primal	$ per cwt	94.11	96.10	-2.07%	86.21	9.16%		
	Belly Primal	$ per cwt	211.76	206.56	2.52%	139.73	51.55%		
	Trimmings, 72%, Fresh	$ per cwt	93.87	88.00	6.67%	82.97	13.14%		
	Hog By-Product Value	$ per cwt, live wt	4.12	4.06	1.48%	4.11	0.24%		
C	Young Chicken Slaughter *	Million Head	164.5	141.9	15.97%	163.0	0.96%	4,499	1.2%
H	Avg. Weight (RTC)	Lbs.	4.65	4.66	-0.16%	4.48	3.90%	6.13	-0.2%
I	Young Chicken Production (RTC)	Million Lbs.	765.2	660.9	15.78%	729.4	4.91%	20,941	1.0%
C	Eggs Set (19-state)	Million	216.9	216.5	0.19%	209.8	3.39%	5,984	2.3%
K	Chicks Placed (19-state)	Million Head	174.9	175.1	-0.10%	172.6	1.34%	4,867	1.4%
E	National Composite Whole Bird	Composite	101.96	106.25	-4.04%	86.00	18.56%		
	Northeast Breast, B/S	$/cwt	154.73	162.12	-4.56%	123.14	25.65%		
	Northeast Leg Quarters	$/cwt	44.42	43.61	1.86%	33.97	30.76%		
T	Total Turkey Slaughter *	Million Head	4.113	3.002	37.01%	4.062	1.26%	114.788	-1.8%
U	Avg. Weight (RTC)	Lbs.	25.06	25.72	-2.55%	24.31	3.09%	31.77	2.2%
R	Turkey Production (RTC)	Million Lbs.	103.1	77.2	33.52%	98.8	4.38%	2,926	0.0%
K	National Hen (8-12 lb)	8-16 Lbs.	97.00	102.45	-5.32%	120.20	-19.30%		
G	Corn, Omaha	$ per Bushel	3.54	3.34	5.99%	3.08	14.94%		
R	Distillers Grain, Chicago	$ per Ton	107.50	102.50	4.88%	147.50	-27.12%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	4.57	4.73	-3.38%	6.63	-31.07%		
I	Soybeans, Cntrl IL	$ per Bushel	10.09	9.66	4.45%	10.35	-2.51%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	332.00	319.40	3.94%	359.00	-7.52%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.