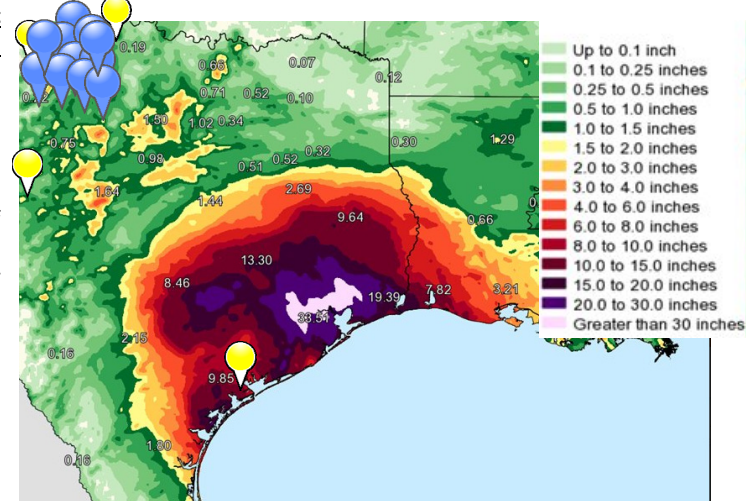


These are difficult days for many people in Houston and surrounding areas and we send them our prayers and best wishes for a quick recovery. Reverend Graham said it best: **“These people need our prayers. They’re going through not just a storm, but it’s a storm of life that has destroyed their homes and businesses and it’s going to take weeks and months and possibly years for them to recover,** if at all.” The storm is likely to impact many facets of the US livestock and meat industry. Texas has the largest beef cow herd in the nation. As of January 1, 2017, USDA estimated the beef cow inventory in the state at 4.460 million head, 14.3% of the national herd. When we add to this supply the number of dairy cows, calves and feedlot animals, the total cattle population as of January 1 was 12.3 million head of cattle. By some estimates, Texas has 10 of the 30 largest cattle feeders in the country. However, these feedlots are all located in the Amarillo - Hereford corridor and are not expected to sustain damage from the storm. There are also four large cattle processing operations in the state but three of them are located in the northern and western part of the state and unlikely to be affected materially by the storm. These are Caviness Beef Packers, approximately 500 head/day, Lone Star in San Angelo with 260 head per day, and Preferred Beef in Booker Texas with around 215 head/day. The only major packer in the state that may be affected by the storm is Kane Beef in Corpus Christi, with a 225 head per day capacity (source: Cattle Buyers Weekly). According to media reports so far the facility appears to have not been damaged but it is not operating due to the effects of the storm on transportation. According to Dr. Anderson of Texas A&M, the 54 counties declared disaster areas have over 1.2 million cows. He also notes that there is still a significant number of calves still out on fields, which are vulnerable to the elements. Unfortunately it appears quite likely that there will be livestock losses due to the storm but it is hard to quantify at this time the impact. Because these counties account for over a quarter of the beef cow herd, the transportation disruptions will likely impact slaughter operations as beef cow processing facilities up north. It should be noted that areas not directly impacted by floors will actually benefit by the storm. Already pasture conditions were good in much of Texas. USDA noted that 49% of the pastures and ranges in the state were in good to excellent condition while another 35% were in fair condition. Following all the recent rainfall, we suspect those pasture conditions will improve significantly going into the fall, bolstering both pasture supplies and hay yields.

In recent years **the port of Houston has increased in importance for US exports and imports, especially as trade with Central and South America has increased.** Still, we think the overall impact on national trade will be relatively limited for beef and pork. In 2016, the port of Houston/Galveston accounted for around 4% of the volume of fresh/frozen chicken exported but it accounted just 1.2% of the pork export volume and 0.5% of the beef export volume. So far this year that share of trade has been about the same. As for beef imports, the port of Houston has also become more important than it was a decade ago. Looking at the data, in 2016 the volume of beef imported through this port accounted for 3.5% of the national total. At this point we have not heard of any major damage to port and facilities but the disruptions to transport networks will likely impact operations for many weeks, possibly months.

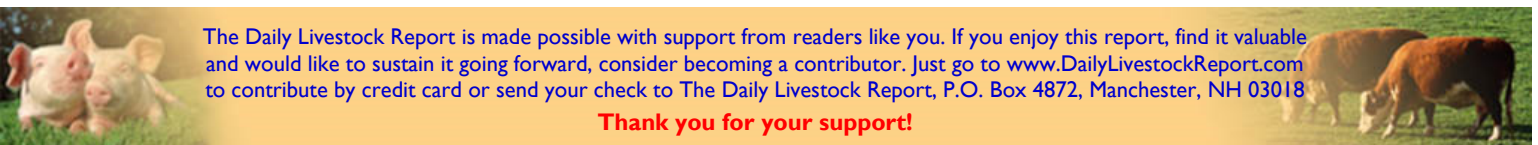
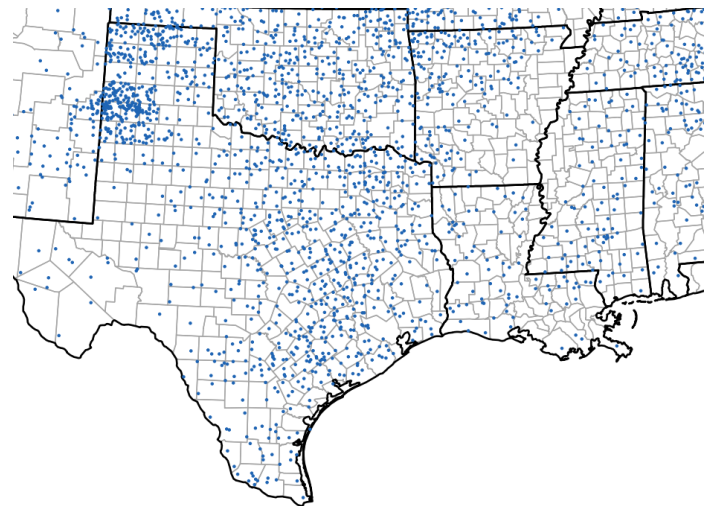
Observed Precipitation Through Aug 28. National Weather Service

Yellow Marker - Cattle Processing. Blue Marker - Major Feedlots



Texas Cattle Inventories. Includes Feedlot + Beef Cattle & Calves

1 Blue Dot = 10,000 Cattle and Calves. Source: USDA Ag. Census



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