

A couple of news stories last night indicated that a case of BSE may have been identified in Florida. At this point we have not seen a USDA confirmation of this and will wait until that happens before we make a more complete statement. Last year a case of non typical BSE was identified in Alabama and the market largely shrugged it off. OIE currently recognizes the US as having a negligible risk of BSE and it is unlikely that finding another case will change that status. However, we will have more to say on this when we get official confirmation from USDA.

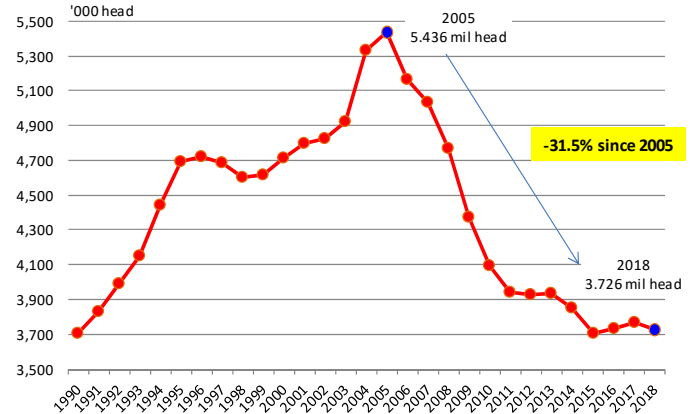
Last week StatCan released the results of its semi-annual livestock surveys and USDA yesterday provided a summary of the combined inventory in both countries. The reason for looking at the combined supply is because over the years the beef and pork industry in the two countries has been tightly integrated. There is a significant number of Canadian feeder pigs which are then finished in US operations. Canadian producers also ship feeder cattle into US feedlots and send fed and non fed cattle for slaughter in US plants. Some large US packers have operations in both countries and fill orders depending on which plant is closer to the customer. Below are some key highlights:

Cattle: Different from the US, where there has been a significant increase in the beef cow herd, we see **no impetus for beef industry growth in Canada**. The total beef cow inventory as of July 1 was estimated at 3.726 million head, 1.2% lower than a year ago. **The Canadian beef herd has declined steadily since its peak in 2005 and it is now some 31.5% lower than it was 14 years ago.** While producers looked to maybe increase the herd modestly in the last two years, that has not happened and we expect the beef cow herd to decline further next year. Heifers retained for beef cow herd expansion were estimated at 670,000 head, 2.6% lower than the previous year. This was the first y/y decline in beef heifers since 2014. Drought conditions and strong prices in the US market have worked against herd rebuilding efforts, with more cattle either going to feedlot/slaughter or into the US market. Producers in Alberta and Saskatchewan have had to purchase feed and place cattle in backgrounding operations rather than keep them on pastures. The supply of cattle in feeder/stocker operations was 2.237 million head, 1.5% higher than last year. On the other hand, the supply of cattle in cow-calf operations was down 2.7%. A recent CBC report quoted a producer as saying: " 'There's a lot of people that are looking to sell off 40%, 60% or their entire herd'. The total inventory of all cattle and calves on July 1 was estimated at 12.435 million head, 0.8% lower than a year ago. This is **the lowest July 1 Canadian cattle inventory since 1988**.

Hogs: **The hog breeding herd in Canada has been slowly increasing in the last three years but the pace of expansion has slowed down considerably this year.** As of July 1 the breeding herd in Canada was estimated at 1.264 million head, marginally lower than the inventory on January 1 and just 0.3% higher than a year ago. This is in contrast with the US hog breeding herd,

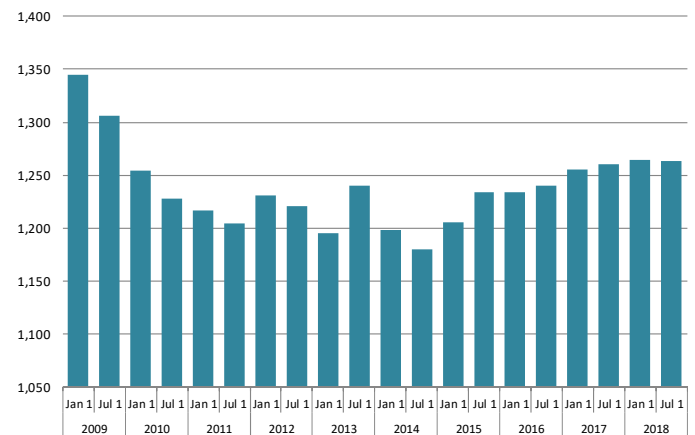
Canada July 1 Beef Cow Inventory

Source: StatCan. Analysis by Steiner Consulting



CANADA BREEDING STOCK. SOWS + BOARS.

Source: Statistics Canada



which on June 1 was 3.7% larger than a year ago. The inventory of market hogs showed that the supply of hogs 180 lb. and over was 3.7% lower than a year ago while the inventory of hogs between 50 and 120 pounds was 1.4% higher than last year. These are hogs that will likely be processed in Canada. The inventory of pigs under 50 pounds was 1.4% higher than last year. The pig crop in the first half of the year was estimated at 14.126 million head, 4.5% lower than the same period a year ago. The overall hog inventory in Canada as of July 1 was 14.185 million head, 0.4% lower than a year ago and the lowest hog inventory since July 1, 2016.

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.