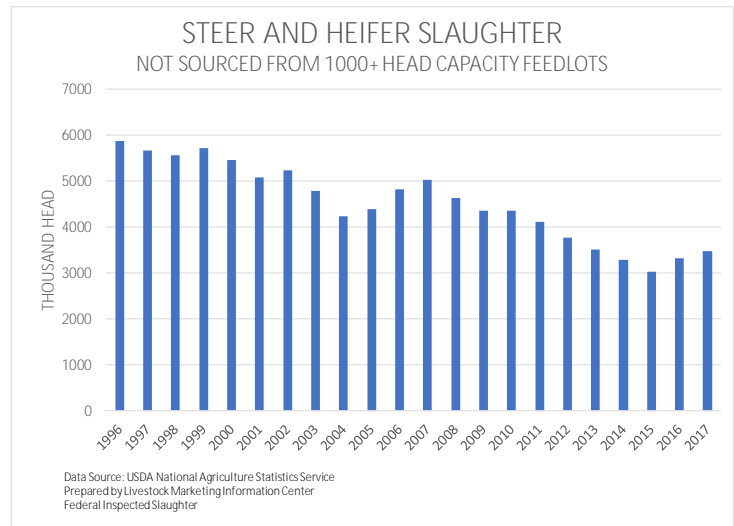


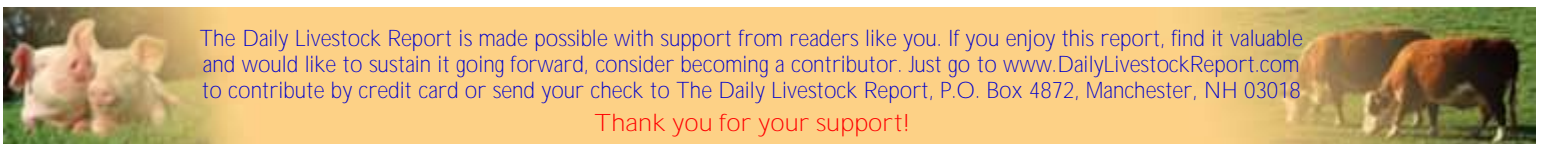
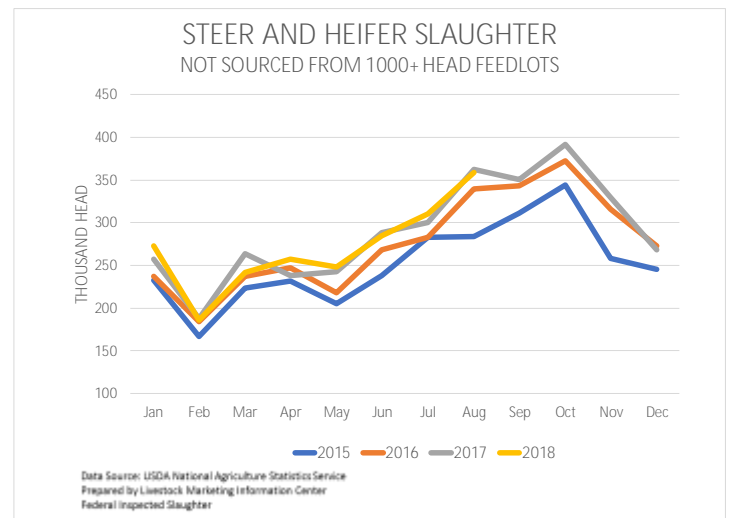
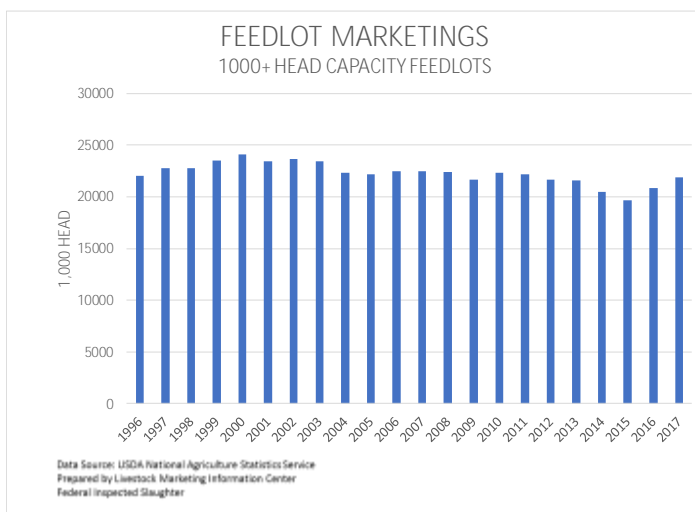
The primary component of beef production comes from federally inspected steer and heifer slaughter. Commercial feedlots provide the majority of those animals. USDA-National Agriculture Statistical Service (NASS) defines commercial feedlots as having a 1,000 head capacity or greater for data collection purposes. Steer and heifer slaughter can originate from other sources, such as feedlots with capacities less than 1,000 head, cattle coming straight from pasture or imported slaughter-ready cattle (from Canada, for the most part).

Volumes of cattle marketed from commercial feedlots have shown more stability than steer and heifer slaughter coming from other sources. The trend in calves born in prior years has been the biggest factor determining variability of steers and heifers marketed in any given year, regardless of source. Commercial feedlots, however, have been able to capitalize on lower per-pound fixed operating costs than smaller feedlots. Other issues, such as coordinating the timing of cattle marketings relative to the needs of beef packers, retailers and foodservice distributors, cattle uniformity, and production data audit trails have also been advantages exploited by large commercial feedlots.

Historically, smaller feedlots have been associated with grain farms using cattle as another form of marketing their annual corn harvests. When corn prices were high, crops were sold for cash and when prices were low, corn was fed to cattle and sold as beef, provided that the cattle were available. This year is proving to be an anomaly and may be evidence of a fundamental change in the



cattle industry. Steer and heifer slaughter outside of commercial feedlot marketings has struggled to increase when compared to a year ago. This is a contrast to 2016 and 2017, when monthly slaughters were generally above twelve months earlier by 5-30 thousand head per month. Calf crops have been expanding and corn prices have been supportive for feeding cattle in smaller-scale operations in each of the last three years, yet this year is not featuring a similar gain in cattle marketed from this sector.



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