

USDA's National Agricultural Statistics Service (NASS) will publish the January 1, 2018, Cattle report this coming Wednesday (January 31st). That annual inventory count is survey-based and provides both numbers nationally as well as at the state-level.

Year-over-year, the report is expected to indicate continued national herd growth, but at a reduced pace compared to that in recent years. Pre-report estimates put the U.S. all cattle population at about 94.8 million head (largest since January 1, 2008), up 1.3% compared to 2017's (see the table below compiled by Urner Barry). That total (all cattle & calves) is the summation of the January 1 numbers for total cows/heifers calved, heifers 500-pounds and heavier, steers 500-pounds and heavier, bulls 500-pounds and heavier, and calves under 500-pounds (see highlighted items in the table).

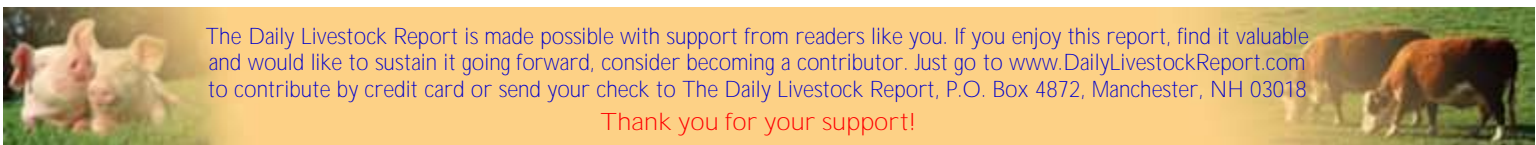
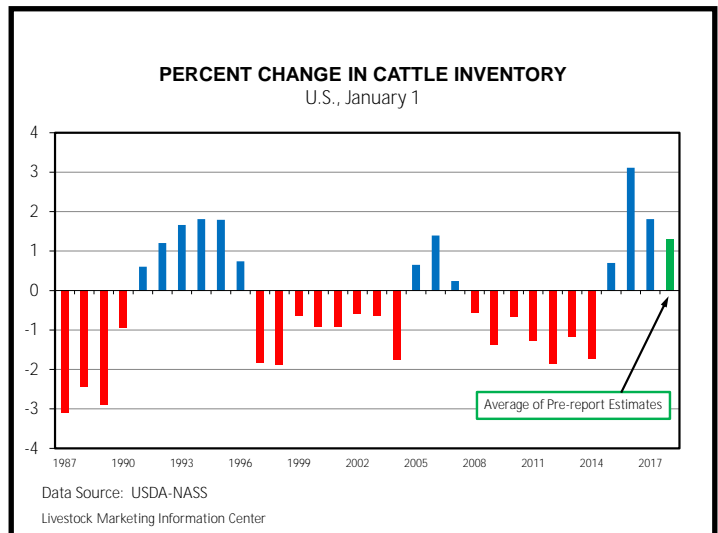
Livestock market analysts will first focus on how much the U.S. beef cowherd is up from a year ago. Second, the magnitude of the year-over-year decline in heifers identified as beef cow replacements over 500-pounds will be assessed.

USDA-NASS Cattle Pre-report Estimates		
	% of Year Ago	
	Average	Range of Estimates
All Cattle & Calves Jan. 1	101.3	101.1 - 101.9
Total Cows/Heifers Calved Jan. 1	101.5	101.3 - 101.6
Beef Cows/Heifers	101.8	101.7 - 101.9
Dairy Cows/Heifers	100.2	99.7 - 100.7
Heifers 500 Pounds and Heavier Jan. 1	100.2	98.7 - 101.4
Beef Replacement Heifers	96.2	90.7 - 100.4
Dairy Replacement Heifers	99.3	98.9 - 99.9
Other Heifers	103.9	101.6 - 108.1
Steers 500 Pounds and Heavier Jan. 1	102.1	100.1 - 104.6
Bulls 500 Pounds and Heavier Jan. 1	100.7	100.1 - 101.8
Calves Under 500 Pounds Jan. 1	101.7	101.1 - 102.2
2017 National Calf Crop	101.9	101.3 - 102.8
National Cattle on Feed Jan. 1	106.7	105.1 - 108.0
Source: Urner Barry (used with permission)		

Analysts expect that the 2017 U.S. calf crop will be reported at about 35,750,000 head, 1.9% bigger (up 667,000 head) than 2016's. If realized, that would be the largest calf crop since 2009 (35,939,000 head) and a slight 10,000 head above 2010's. Importantly, the average of the pre-report expectations is below the NASS mid-year estimate (as of July 1, 2017), which was 36.3 million animals. Our view is that a calf crop at the high-end of the pre-report range, or larger, could happen.

The monthly Cattle on Feed reports only include feedlots with a capacity of 1,000 animals or more. Wednesday's Cattle report will provide the January on-feed estimate for all U.S. feedlots, that is, including the feedlots with less than 1,000 head capacity. Comparing the recent monthly reported on-feed count to the national total for January 1st is an important structural indicator for the feeding sector. Specifically, is NASS indicating that the smaller feedlots are tending to feed relatively more cattle, or less, compared to the monthly surveyed operations?

Typically, futures market prices do not noticeably react to NASS Cattle reports. There is little if any fundamental economic reason for near-by contracts to adjust to a report which is largely providing updates to breeding stock numbers in this industry where biological production processes are in terms of years, not quarters (as in hogs) nor months (like chicken). Still, this report is critical to understanding fundamental market supply trends in U.S. the beef industry.



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