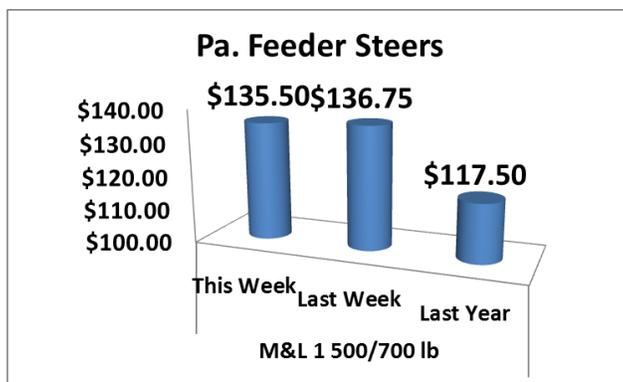
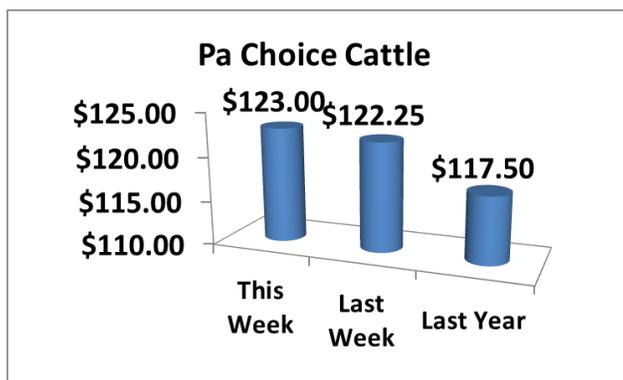




CBE News for August 28, 2013



The number of cattle in U.S. feedlots with capacities of 1000 head and more was pegged at 10.026 million head, 5.9% lower than last year in Friday's USDA monthly Cattle on Feed report. That figure is 1.7% lower than analysts had, on average, expected going into the report meaning that there are about 180,000 fewer cattle on hand than was expected as of August 1. It also means that feedlot inventories are again more than 600,000 head smaller than last year. That was the case from November 2012 through April before larger placements pulled inventories within 400,000 head of year-ago levels in May, June and July.

The big driver of this inventory reduction was a sharp decline in July placements. That placements were lower is no surprise given the lower January 1 inventory of feeder cattle and the drop in feeder cattle imports this year. But the magnitude of the decline — 10.4% versus last year — is a bit of a shock, especially given analysts' average prediction was for a reduction of only 2.5%.

July marketings of 2 million head were almost precisely as expected by analysts but it was skewed by there being one more marketing day this year. Whether that factor was taken into account in analysts estimates is unknown.

Every weight class of placements included lower numbers relative to last year but placements continue to be skewed toward heavy cattle. There were 390,000 and 275,000 head of cattle placed in the under-600 and 600-699 pound weight classes, respectively. Those numbers were 22% and 15.4% lower than last year. Placements of cattle weighing 700-799 and 800-and more pounds numbered 455,000 and 602,000 head, down only 3.2% and 4%, respectively, versus one year ago.

Even though light-weight placements were down more than were heavy-weight placements on a year-on-year basis, the average placement weight dropped by over 11 pounds from June to 723.7. This also marks the sixth time this year that average placement weight has been record-large for the respective month. The incentive to add pounds outside of feedlots is still strong and any waning of that incentive may be meeting its match in the dry, hot weather forecast for much of the Midwest this week. Have you looked at grains futures this morning?

We also suspect that improved pasture conditions may have slowed what we believe was some significant May and June placements of heifers originally intended for cow herds. Heifers held as beef replacements numbered 5.361 million head on January 1, 1.9% higher than one year earlier and 4.3% higher than on January 1, 2011. Continued dry conditions in the Northern Plains and West likely drove some of those females into feedlots—at heavy weights— but improving pasture conditions may now be providing enough carrying capacity. We had suspected that some heifers could move back to pasture but the report's 60,000 head estimate for "Other Disappearance" is almost exactly the same as one month ago and quite normal for July.

Tight cattle supplies are not just 180 days down the road, though. The number of cattle on feed for 120 days or more now numbers just 3.211 million head — 14.9% fewer than one year ago.

PA Center for Beef Excellence Inc. with information from the CME Report, Cattle Buyers Weekly and other resources. For more information call 717-705-1689.

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