Allegiant Commodity Research

March 24, 2017

USDA Cattle On Feed

Futures should see limited impact from today's report. Instead, the focus early next week will be on this week's strong kill and Friday's higher cash trade.

Today's USDA cattle on feed report is viewed as neutral to the live cattle futures to start the upcoming week. The three major categories of the report were near average pre-report estimates – leading to expectations for limited reaction. The surprise of the report may be the weight break-downs for placements. The only weight ranges posting year-to-year increases were the 600-699 and 700-799 pound categories. Meanwhile, the heaviest categories showed declines. While this may ease some of the pressure on summer slaughter supplies, March placements may offset this, as cattle continued to move off of winter pasture. With the report providing limited trading impact, the futures market will focus on this week's large kill, where the remainder of cash trade develops this week, and expectations for beef and cattle trade next week.

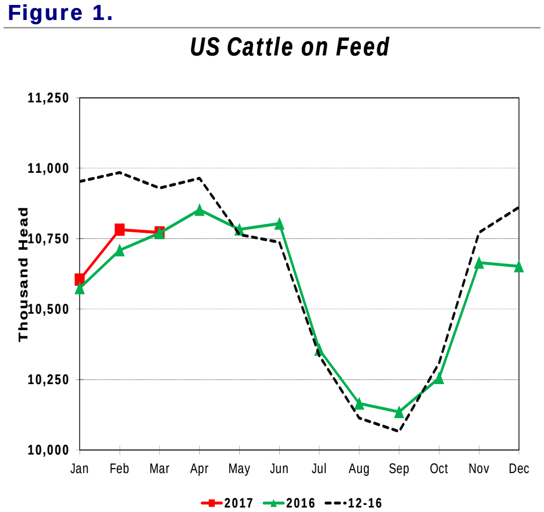
March 1st cattle on feed reported at 100.0% of year ago levels. USDA reported the March 1st on feed total (**Figure 1**) at 10.772 million head – only 2.0 thousand head above year ago levels but 1.4% under the five-year average for the time period. This is the largest March 1st total posted since 2013. On feed totals fell only 10.0 thousand head from February 1st. This compares to an average decrease for the time period during the previous five years of 55.0 thousand head.

February placements were down 0.9% versus last year. USDA reported February placements (**Figure 2**) at 1.694 million head – 99.1% of year ago levels but 5.2% above the five-year average for the month. Despite the year-to-year declines, 2017's February total was still the third largest total posted for the month since 2003. This is the first year-to-year decrease in placements noted since October of last year. Combined placements for the first two months of 2017 were still 5.3% above year ago levels, and expectations still point to year-to-year gains on average throughout the year, as the results of herd expansion and the potential for increased heifer placements boost feeder cattle supplies.

Heaviest placement categories post a decline versus last year. For the second straight month, the 800 pounds and up category (**Figure 3**) posted a decrease versus year ago levels. While the year-to-year decrease in January was limited (-9.0 thousand head), the decrease in February was larger – down 71.0 thousand head or 11.3% versus last year. This decline, as well as the 20.0 thousand or 6.0% decrease in the under 600 pounds category, was nearly offset by increases in the middle weight categories. The 600-699 pounds category was up 30.0 thousand head or 10.0%, and the 700-799 pounds category was up 45.0 thousand head or 10.1%. Placement weights seasonally trend higher in the coming months, and this year is expected to follow that same trend – keeping pressure on feedlots to continue with aggressive marketings.

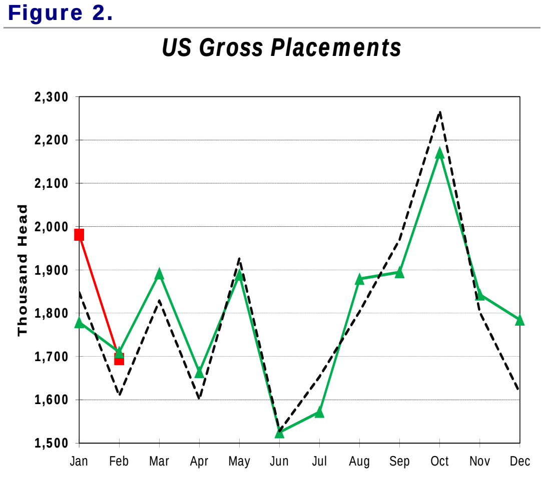
February marketings were up 3.6% versus 2016. USDA reported marketings for the past month (**Figure 4**) at 1.648 million head – 103.6% of year ago levels and 3.2% above the five-year average. Federally inspected steer and heifer slaughter for February was up 3.4% versus last year or was 8.4% higher after adjusting for differences in slaughter time. February 2016 had one additional slaughter day due to leap year.

Figure 1.



Source: USDA

Figure 2.



Source: USDA

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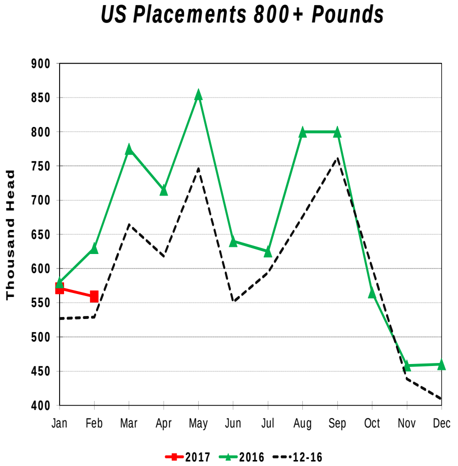
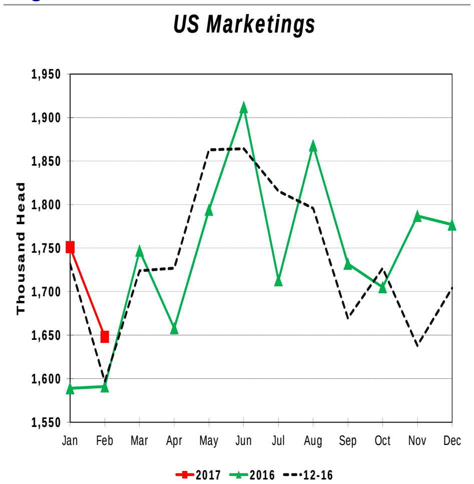
Figure 3.



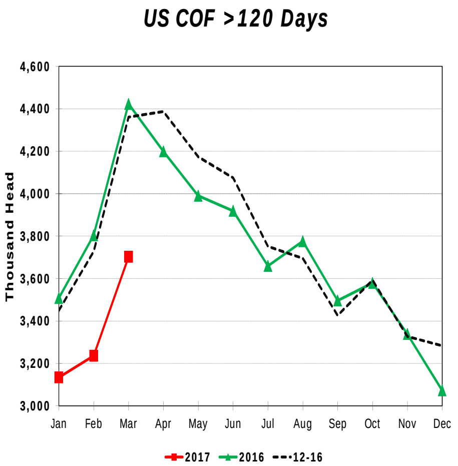
Source: USDA

Figure 4.



Source: USDA

Figure 5.



Source: USDA

Table 1. Cattle on Feed

UNITED STATES	2017	2016	TYR PCT OF LYR	TRADE AVG	5-YR AVG	TYR PCT OF 5 YR
ON FEED MAR 1	10772	10770	100.0	100.1	10930	98.6
PLACED FEB	1694	1710	99.1	98.9	1610	105.2
MARKETED FEB	1648	1591	103.6	103.3	1597	103.2
OTHER DIS FEB	56	58	96.6		68	82.4
NET PLACED FEB	1638	1652	99.2		1541	106.3
ON FEED FEB 1	10782	10709	100.7		10985	98.2
ON FEED 90 DAYS+	5476	5946	92.1		6111	89.6
ON FEED 120 DAYS+	3702	4423	83.7		4361	84.9
ON FEED 60-90 DAYS	1730	1449	119.4		1514	114.3
ON FEED 90-120 DAYS	1774	1523	116.5		1750	101.4
MARKETING RATE	15.28	14.86	102.8		14.53	105.2
MKTNGS/90 DAY COF	30.8	26.45	116.4		26.86	114.7
CHANGE MAR 1-FEB 1	-10	61			-55	

	-- MAR 1 ON FEED --			-- FEB PLACEMENTS --		
	2017	2016	PCT	2017	2016	PCT
ARIZONA	242	297	81.5	27	43	62.8
CALIFORNIA	420	440	95.5	47	46	102.2
COLORADO	910	890	102.2	180	170	105.9
IOWA	650	630	103.2	102	92	110.9
KANSAS	2210	2160	102.3	380	375	101.3
NEBRASKA	2440	2420	100.8	425	395	107.6
TEXAS	2440	2450	99.6	320	345	92.8
TOTAL	9312	9287	100.3	1481	1466	101.0

	-- FEB MARKETINGS --			-- FEB OTHER DIS --		
	2017	2016	PCT	2017	2016	PCT
ARIZONA	27	21	128.6	1	1	100.0
CALIFORNIA	49	46	106.5	3	5	60.0
COLORADO	165	155	106.5	5	5	100.0
IOWA	89	78	114.1	3	4	75.0
KANSAS	370	345	107.2	10	10	100.0
NEBRASKA	420	420	100.0	15	15	100.0
TEXAS	320	315	101.6	10	10	100.0
TOTAL	1440	1380	104.3	47	50	94.0

Source: USDA

Cattle on feed 120 days and up was down 16.3% versus last year. Strong marketing totals continue to reduce levels of cattle on feed 120 days and up (**Figure 5**) versus last year. 2017's March 1st total was the smallest for the time period since 2003. The total represented only 34.4% of total on feed numbers – below year ago levels of 41.1% and the five-year average of 39.9%.

Iowa placements again post a double digit percentage versus last year. February placements for Iowa were 10.9% above year ago levels and follow a 43.8% increase during January. This has left on feed totals for the state 3.2% above year ago levels as of March 1st – the fourth largest total for the state for the time period, as only totals from 2012, 2014, and 2015 were larger. Nebraska on feed totals moved back above year ago levels as of March 1st (**Figure 6**) – the first year-to-year increase posted since November 1, 2015. Placements for the state were 7.6% above last year – the second highest February total on record (only 2014 was larger). Kansas' March 1st on feed total (**Figure 7**) was 2.3% above year ago and 4.7% higher than the five-year average – reflecting the 1.3% increase in February placements versus last year and the 7.2% increase in marketings. On feed totals for Texas (**Figure 8**) remain below year ago – posting the smallest March 1st total since 1996. During February, placements for Texas were down 7.2% versus last year and 9.1% below the five-year average for the month, and marketings were up 1.6% compared to 2016's total but 10.6% under the five-year average for the February.

Table 2.

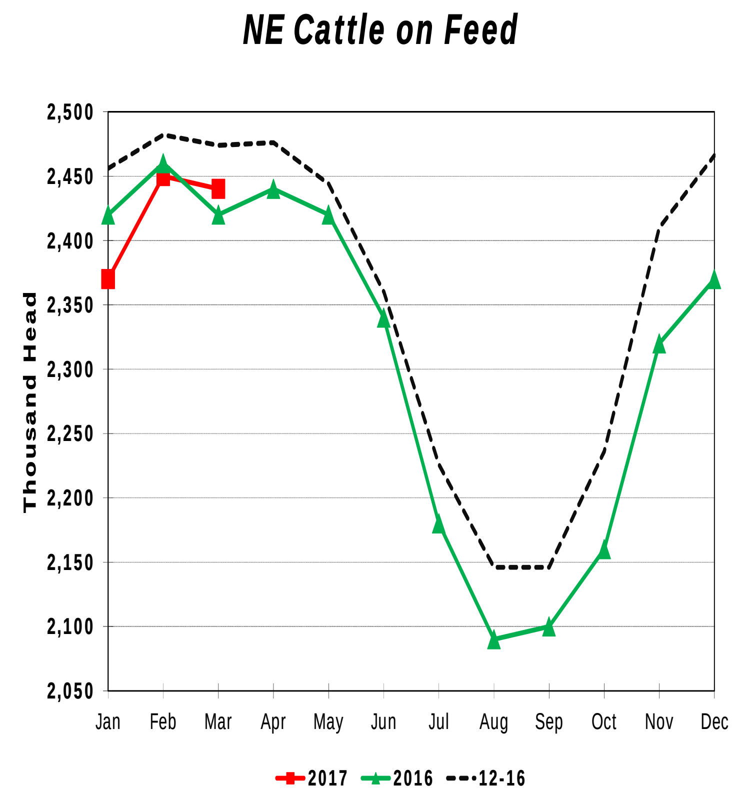
US PLACEMENTS WEIGHT BREAK-DOWNS

# of Head (1,000 Head)	2017	2016	TYR PCT OF LYR
UNDER 600 POUNDS	315	335	94.0%
600-699 POUNDS	330	300	110.0%
700-799 POUNDS	490	445	110.1%
800-899 POUNDS	395	430	91.9%
900-999 POUNDS	124	145	85.5%
1,000 POUNDS & UP	40	55	72.7%

% of Total	2017	2016	5-YR AVG
UNDER 600 POUNDS	18.6%	19.6%	22.8%
600-699 POUNDS	19.5%	17.5%	21.0%
700-799 POUNDS	28.9%	26.0%	27.6%
800-899 POUNDS	23.3%	25.1%	NA
900-999 POUNDS	7.3%	8.5%	NA
1,000 POUNDS & UP	2.4%	3.2%	NA

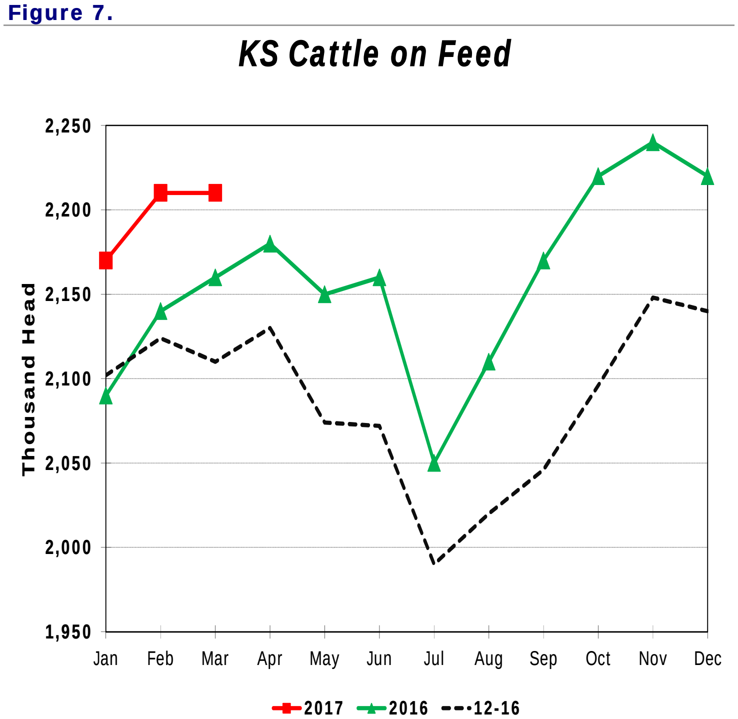
Source: USDA

Figure 6.



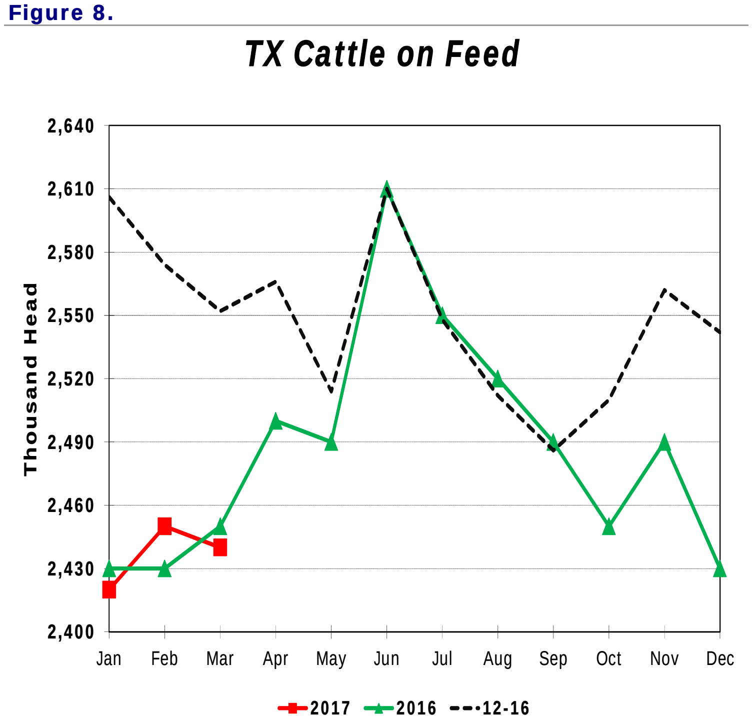
Source: USDA

Figure 7.



Source: USDA

Figure 8.



Source: USDA