

Daily Livestock Report

Vol. 10, No. 138 July 18, 2012

B USDA's monthly Cattle On Feed report for July will be released Friday afternoon. The report provides a snapshot of the July 1 inventory and June in- and out-movements of cattle for feedyards with one-time capacities of 1000 head or more. Analysts expect these numbers to continue higher than one year ago — just as they have done for 24 of the past 25 months.. One item of note is the relatively large spread between the low and high estimates for June placements. This disagreement, we believe, is due to differing views of the impact of dry pasture conditions and higher feed costs. Readers should note that the number of feedyards that, based on one-time capacity, qualify for the survey has increased over the past few years. USDA estimates that this larger number of survey respondents accounts for roughly 2% of the total inventory. This is a major reason that feedyard inventories have been higher, year-on-year, while year-on-year steer and heifer slaughter has been lower over the past year.

USDA will also release on Friday its semi-annual estimate of total cattle numbers in the Cattle report. This report will provide the government's first estimate of the 2012 calf crop which, given the sharp decline in beef cow numbers last year will almost surely be significantly lower than that of 2011. In addition, the report will provide figures for the numbers of beef and dairy cows on farms as of July 1 as well as the numbers of younger cattle being held for feeding and breeding.

One confounding factor in these numbers this year will be the rapid deterioration of range and pasture conditions. The percentage of total pasture acres rated as being in poor or very poor (P/VP) condition increased to 54% this week, up 4% from one week ago. That number compares to 29% last year at this time. Recall that most of that 29% in 2011 was in Texas and Oklahoma — the two largest beef cow states. Those two states are in MUCH better condition this year but 40% of their pastures are still in the P/VP category.

This year's drought conditions are much more widespread and are now impacting the vast majority of beef cows. The chart at right is based on data compiled by the Livestock Marketing Information Center in Denver. It simply shows the percentage of all beef cows in the U.S. that are located in states in the two condition ranking groups — Poor/Very Poor and Good/Excellent. As of this week, 71% of the nation's beef cows are located in the P/VP states. Perhaps more importantly, that percentage has MORE THAN DOUBLED IN JUST THREE WEEKS. Conversely, only 10% of beef cows are in states that now have Good/Excellent pasture ratings.

It should be noted that these are, to some degree, naturally selecting groups as a high proportion of beef cows are always located in more arid and drought-prone states. States that usually get more rainfall tend to find higher value uses for their land. But the magnitude of the P/VP percentages is still large and the speed with which it has grown is rather shocking.

What does this mean? Cattle numbers could have changed even since July 1 — or at least decisions are being made

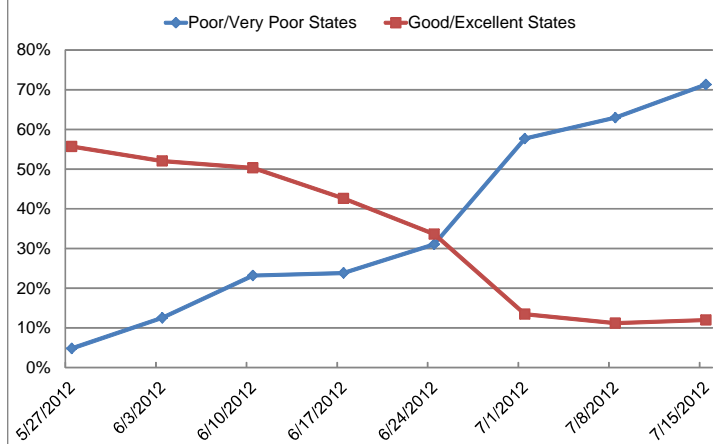
Pre-Report Estimates -- USDA Cattle On Feed

July 20, 2012

	Range of Estimates	Average of Estimates
	(Percent of year ago)	
On Feed, July1	100.0-103.8	102.5
Placed in June	92.6-104.1	98.7
Marketed in June	92.0-101.0	94.0

Source: DowJones

SHARE OF BEEF COWS BY PASTURE RATINGS



now that could change those numbers. This could be much like the Kept for Breeding number in the June Hogs and Pigs report that said farms were keeping 1% more animals for breeding. That number may have been (and we think the probability is high that is was!) wrong by the time it was published. The situation for pork producers has obviously gotten worse since June 29 and the situation for beef cow owners could get worse in weeks to come.

We are not trying to torpedo USDA's numbers before they are published. We are simply point out that when conditions change this quickly, some of these estimates may have a pretty short shelf life and that fact must be at least considered.

Is there some help on the way? That depends on where you live. The 6-10 day precipitation forecast from the National Weather Service (shown on page 2) indicates reasonable chance of above-normal rainfall for large parts of Arizona, New Mexico, Colorado and Utah. But much of the Midwest, Southwest and Southeast have high probabilities of below-normal rainfall and the Great Plains (Nebraska, the Dakotas, Montana, Wyoming are expected to have "Normal" rainfall. And we need to remember that normal rainfall in July and August in these areas may not amount to enough moisture to settle the dust.

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