

# Daily Livestock Report

Vol. 10, No. 140 July 20, 2012

Today will be another busy day for the information providers at USDA as they will release monthly Cold Storage, Cattle on Feed and Livestock Slaughter reports and the semi-annual Cattle (often referred to as the Cattle Inventory) report this afternoon. "The market's" expectations for the data in these reports are still widely assumed to be fully incorporated into futures prices so knowing those expectations is useful in ascertaining the impact a report's data may have on futures prices in the immediate future. All of this more or less accepts the efficient markets hypothesis, of course, and we will let you be the judge of the wisdom of such acceptance given the well-documented criticisms of that hypothesis in recent years. It still seems to work reasonably well with respect to USDA report releases regarding agricultural data.

**Pre-report estimates for the Cattle on Feed report were included in the July 18 edition of DLR.** It (along with every other historical edition of DLR) can be found at [www.daily-livestockreport.com](http://www.daily-livestockreport.com). On average, analysts expect inventories of cattle in lots with capacities of 1000 head or more to be 2.5% higher than last year with June placements and marketings both being lower.

**The results of Dow Jones Newswires' survey of analysts regarding the semi-annual Cattle report appear in the table at right.** Some key numbers and implications are:

- A beef cow herd down 2.1% from last year. That number is smaller than the actual decline of 3.1% in the January report, indicating some cow retention in the first half of the year. Beef cow slaughter during the first half of 2012 was 9.5% smaller than last year.
- The implied total cow inventory of 40.0 million head and implied beef cow inventory of 30.7 million head would both be the smallest ever for the July inventory report that dates back to 1973.
- Analysts still expect ranches to have 1.3% more beef replacement heifers than they did one year ago. That number is very close to January's 1.4% increase for this category indicating that, at least as of July 1, ranchers were still trying to expand the beef cow herd. Whether they are still doing so is, as we pointed out Wednesday, a HUGE question given the rapid deterioration of pasture conditions. It should be noted that 1.3% of last year's number amounts to only 54,600 more heifers this year while the reduction in the cow herd amounts to 660,000 head.
- We could find no estimates in the Dow Jones survey results for total cattle on feed. Both the January and July Cattle reports include an estimate for inventories in ALL yards — not just those with capacities of 1000 head and more. The number is important because it can be used to compute the number of young cattle outside feedyards that are not intended for breeding, ie. the potential supply of feeder cattle. Assuming that total feedyard inventories are increase by the same 2.5% ex-

## USDA CATTLE REPORT, JULY 2012

Pre-Report Estimates

Category	Average	Range	Avg. Head
	(Percent of yr. ago)		(Million)
All cattle and calves	98.6	97.9 - 99.5	98.6
Annual calf crop	98.4	98.0 - 99.2	34.7
Total Cows/heifers that have calved	98.4	97.8 - 99.5	40.0
Beef cows/heifers that have calved	97.9	97.1 - 99.0	30.7
Dairy cows/heifers that have calved	100.3	99.7 - 101.0	9.2
Heifers 500 pounds and over	99.3	98.7 - 100.0	15.9
Beef replacement heifers	101.3	100.6 - 102.4	4.3
Dairy replacement heifers	99.5	98.8 - 100.0	4.2
Other heifers	98.3	96.7 - 101.0	7.5
Steers 500 pounds & over	99.2	98.2 - 100.0	14.1
Bulls 500 pounds & overs	97.1	95.0 - 99.0	1.9
Calves under 500 pounds	97.9	97.3 - 98.5	26.6

Source: Dow Jones Newswires

pected for the 1000-head-and-over yards, 12.505 million head would be this year's July 1 number. This implies that the expected inventory of non-breeding cattle outside of feedyards on July 1 would be 37.623 million head, 3% lower than one year ago. While higher feed costs have hurt feeder cattle prices due to their negative impact on the derived demand for cattle, the supply situation is still expected to be VERY supportive to calf and feeder cattle prices.

- The expected 1.6% smaller 2012 calf crop would number 34.75 million head. It would be the smallest on record for the July report which provides the first estimate for a given year's calf output. Should that number hold, it would be the smallest calf crop since 1946.

**USDA's Cold Storage report is expected to show a continuation of recent large pork and beef inventories according to Dow Jones' Newswires.** The average estimate of three surveyed analysts for June 30 frozen pork stocks was 590.6 million pounds, roughly 7% lower than the 636.1 million pounds in freezers at the end of May but still 19% larger than one year earlier. Ham inventories are expected to be 138.1 million pounds, 8.9 million pounds higher than one month earlier but 12.8 million pounds (9.5%) more than one year ago. Survey respondent Bob Brown, an independent market analyst based in Edmond, OK, expects belly inventories to come in at 56.6 million pounds, nearly 9 million lower than last month. That level, though, would be almost 8 million pounds (16.4%) more than one year ago.

Frozen beef inventories are expected to remain near record levels in today's report. Dow Jones notes that the June increase is estimated to be a "modest 1.2%." That growth, though, will put beef inventories at 504.6 million pounds, 16.6% higher than one year ago. That is short of April's record but would be the third highest level ever.

Chicken stocks are expected to remain below (-12.3%) the year-ago level but slightly above (+2.6%) stocks on May 31.

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