Daily Livestock Report

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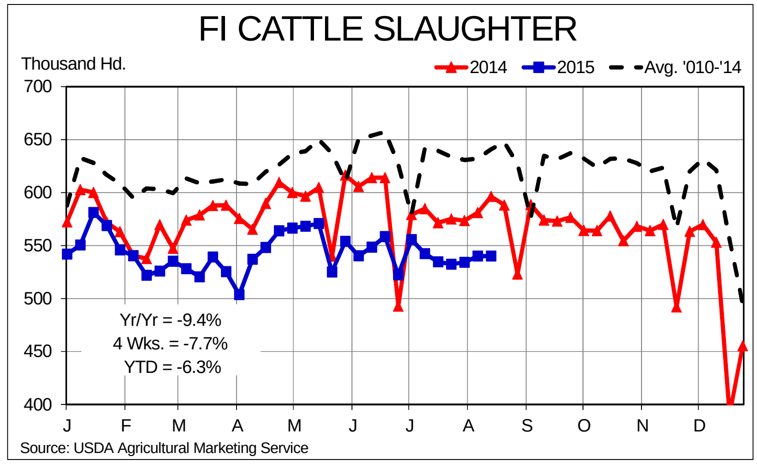
We're sort of going to bury you in charts today but we do so because they tell an interesting story of the current dynamics of the cattle industry. We usually watch the FI (ie. federally-inspected) cattle slaughter each week as the truest indicator of supply. And that is as it should be. The number represents the total harvest of bovines for beef. But beef ain't beef — or at least all beef isn't' created equal in the eyes of the consumer. Beef products from different animals find their way to sharply different markets. Few would even consider serving a Porterhouse steak from a canner cow and even fewer would destroy the value of a Porterhouse steak from a Choice-grade steer by grinding it up. Different cattle produce products for different market segments and the current beef economy is causing the flows of those different cattle to vary considerably.

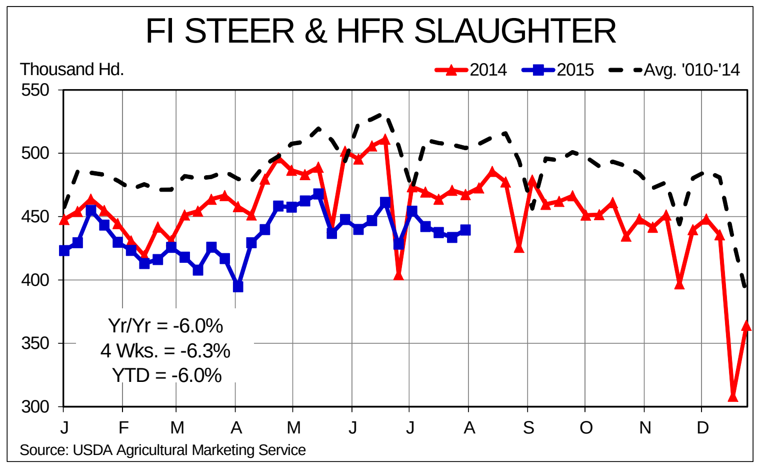
Total cattle slaughter last week numbered 540,000 head, 9.4% fewer than one year ago and a shocking 15.7% fewer than has been the average for the same week over the past 5 years. Those figures rightfully suggest that cattle supplies are still very tight. The 2015 calf crop is forecast to be larger than one year ago and feedlot placements have been gaining on their 2014 pace in recent months but neither of those will have an impact on beef cattle numbers or beef supplies in the short run. <u>There simply aren't many cattle available for slaughter at present!</u>

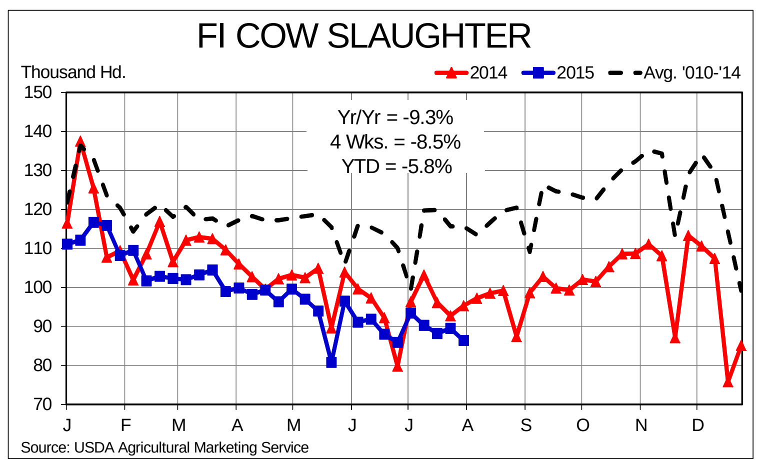
But the "shortness" varies pretty dramatically by class. As can be seen at right, steer and heifer slaughter was down "only" 6%, year/year, the week of August 7 (the most recent for which these detailed data are available). The same figure for total cattle slaughter the week of August 7 was –6.9%. Meanwhile cow slaughter — the next largest component of total cattle slaughter and a key factor in the supply of grinding beef — was only 86,400 head that same week, down 9.3% from the 2014 level and 25.3% from its 5-year average. As you can see, cow slaughter is only about 20% as large as steer and heifer slaughter at present.

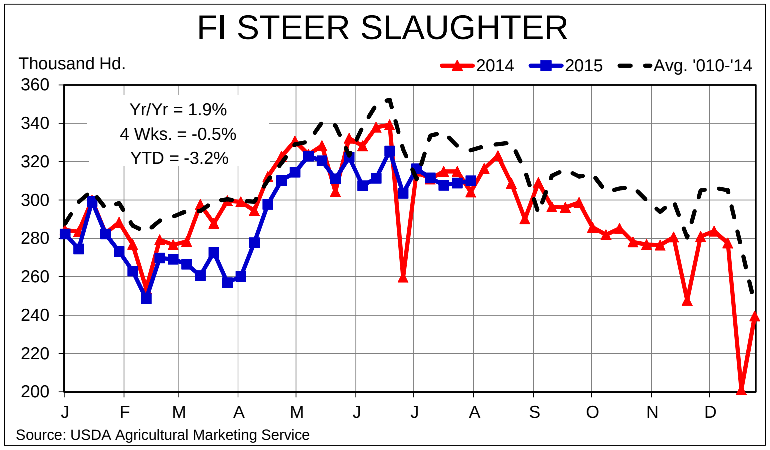
But the charts on page 2 provide even more detail about these slaughter classifications and the incentives and drivers that are currently in play. The top set of charts shows steer and heifer slaughter separately and clearly demonstrate a) that heifer slaughter is the primary driver of the decline in steer and heifer supplies and b) that cowmen have been aggressively retaining heifers. In fact, steer slaughter the week of August 7 was HIGHER than one year ago while heifer slaughter was down nearly 21%! Steer slaughter has been steadily closing the year-on-year gap since early summer while the same gap for heifers has gotten wider and wider.

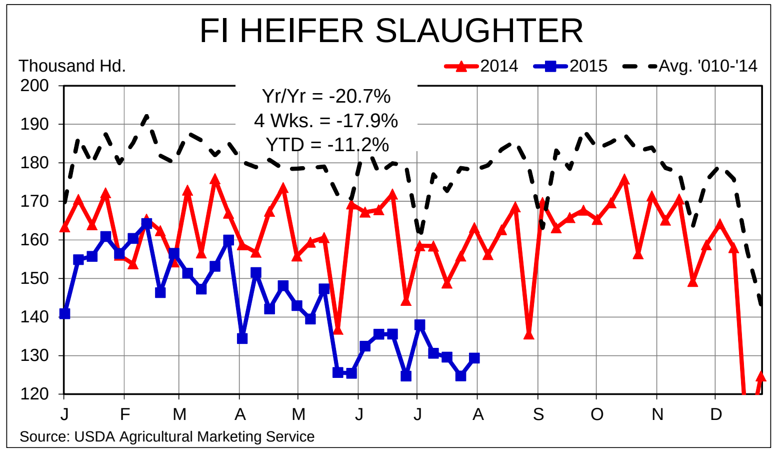
The bottom set of charts shows a similar dichotomy between the dairy and beef components of total cow slaughter. Dairy cow slaughter is, of course, less dependent on pasture conditions since virtually all dairy cows are kept in dry lots. The price of milk is the big driver of cow retention decisions in the dairy business and losses this year have pushed dairy cows to slaughter at a higher year/year pace in many weeks so far in 2015. Beef cows, though, have GREAT value in production at present and thus have been retained at a higher-than-normal rate, reducing beef cow slaughter.

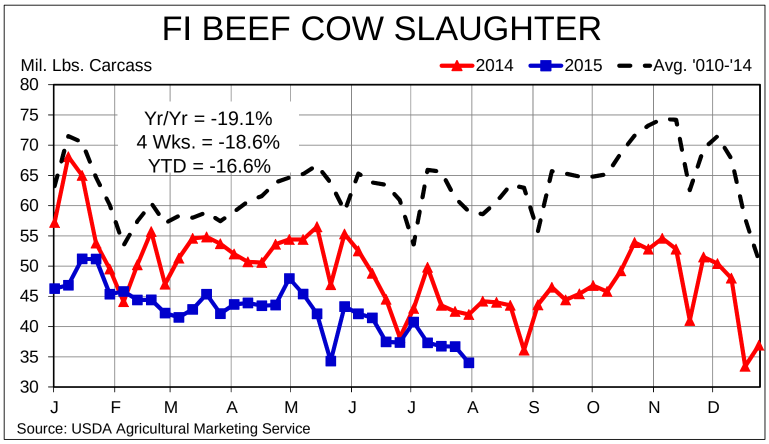


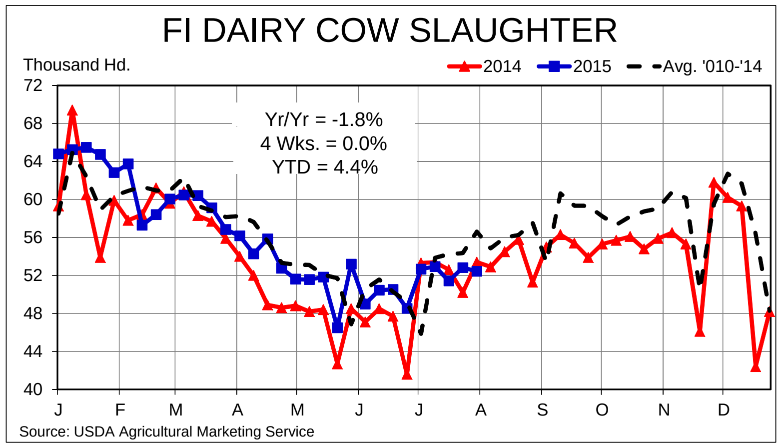





FI STEER SLAUGHTER
Thousand Hd.
2014
2015
Avg. '010-'14
Yr/Yr = 1.9%
4 Wks. = -0.5%
YTD = -3.2%
360
340
320
300
280
260
240
220
200
J F M A M J J A S O N D
Source: USDA Agricultural Marketing Service


FI HEIFER SLAUGHTER
Thousand Hd.
2014
2015
Avg. '010-'14
Yr/Yr = -20.7%
4 Wks. = -17.9%
YTD = -11.2%
200
190
180
170
160
150
140
130
120
J F M A M J J A S O N D
Source: USDA Agricultural Marketing Service


FI BEEF COW SLAUGHTER
Mil. Lbs. Carcass
2014
2015
Avg. '010-'14
Yr/Yr = -19.1%
4 Wks. = -18.6%
YTD = -16.6%
80
75
70
65
60
55
50
45
40
35
30
J F M A M J J A S O N D
Source: USDA Agricultural Marketing Service


FI DAIRY COW SLAUGHTER
Thousand Hd.
2014
2015
Avg. '010-'14
Yr/Yr = -1.8%
4 Wks. = 0.0%
YTD = 4.4%
72
68
64
60
56
52
48
44
40
J F M A M J J A S O N D
Source: USDA Agricultural Marketing Service