

Analysts polled ahead of the upcoming USDA 'Cattle on Feed' report expect the total inventory in feedlots with +1000 head capacity to be 0.7% lower than the previous year. Interestingly, the inventory on August 1 was down 1.9% from a year ago and on September 1 it was 1.4% lower than a year ago. As the analyst responses summarized to the right suggest, this inventory situation reflects a slower processing rate as well as robust placements in the last three months. If analysts are correct, the upcoming survey is also expected to show still relatively large supplies of market ready cattle, with the inventory of +150 day cattle at 2.257 million head, up 13.5% from last year and the inventory of +120day cattle at 4.1 million head, 3.2% higher than a year ago.

Placements: While there is a wide range of opinions about cattle placements in September, on average analysts expect them to be 1.2% higher than the previous year. If correct, this would be **the second consecutive month of higher y/y placements.** It is important to note that analysts think placements are going to increase from last year's already high placement rate (see bottom chart). For those that think placements will be higher than a year ago, we think drought and poor cow-calf operator margins likely are major factors driving their forecast. Deteriorating pasture conditions encouraged a high placement rate in August and it appears that analysts think this continued to drive placements in September as well. However, one can point to other factors that would suggest lower placements. Feeder cattle sales in the country in the four weeks ending October 1 were 4.3% lower than the same period a year ago. Sales of feeders over 600 pounds were down 4.8% compared to last year. While there is not a strong correlation between feeder sales and placements, directionally it is a factor that should be considered. The other issue is the supply of feeder cattle outside feedlots. The USDA July 1 inventory survey implied the supply of feeders outside feedlots on July 1 was about 600k head lower than the previous year. Combined placements in July and August were 107k head lower than in 2020. If analysts are right and placements in September were indeed higher than a year ago, it would suggest significantly lower placements in the last quarter of the year. But the lower feeder supply remains a major factor that will constrain placements and eventually the supply of cattle coming to market in 2022. Finally, different from August, we saw fed cattle values post a very sharp decline in the first two weeks of September while corn prices were steady to higher. This is not a setup that encourages feedlots to pull supplies forward.

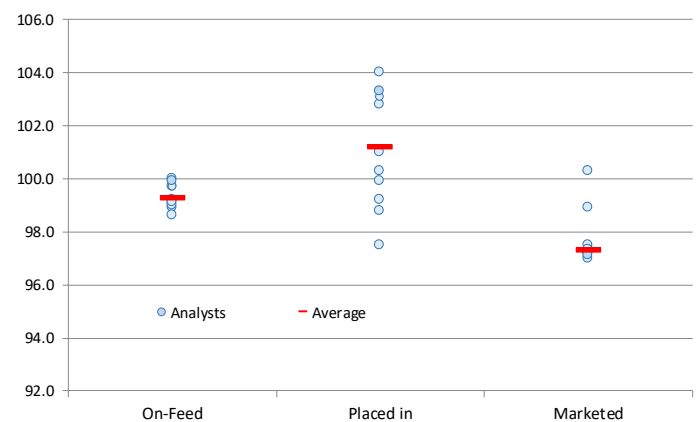
Marketings: Most analysts agree that marketings in September were lower, although there were a couple of dissenters. On average analysts think that September marketings were 2.7% lower than the previous year. This is consistent with steer/heifer slaughter in September, which was also down 2.7% compared to 2020. There was no difference in the number of marketing days, which sometimes skews the numbers. Weekday fed cattle slaughter in September averaged 92,300 head/day compared to 93,798 head/day in 2020, a 1.6% decline. Saturday slaughter in September averaged 47,833 head/day, down 12.3% compared to 2020.

October 2021 COF Pre-Report Estimates. Urner Barry Survey
percent of year ago volumes. 10 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Oct 1	99.3%	11,635	98.6% - 100.0%
Placed on Feed in Sep	101.2%	2,254	97.5% - 104.0%
Marketed in Sep	97.3%	1,796	97.0% - 98.9%

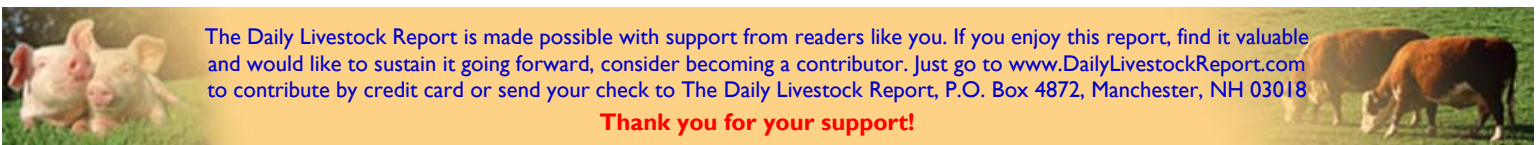
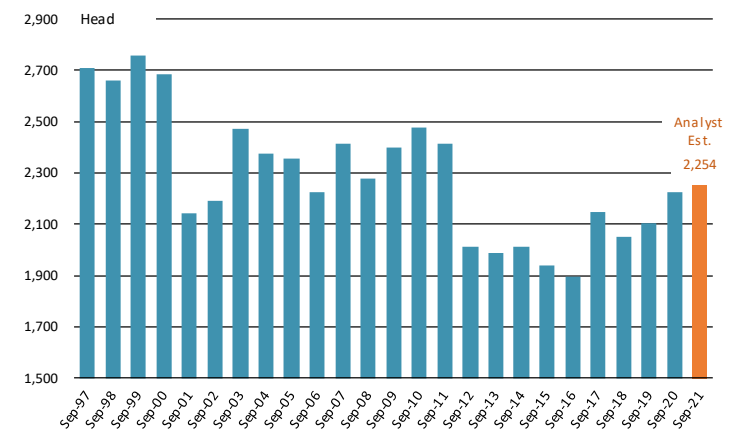
Distribution of Analyst Estimates of October USDA Cattle on Feed Report

Based on Analyst Survey from Urner Barry. Prepared by: Steiner Consulting



Placements of Cattle on Feed in the Month of September

Source: USDA-NASS. Analysis by Steiner Consulting



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