

CattleFax UPDATE

THE
DECIDING
FACTOR

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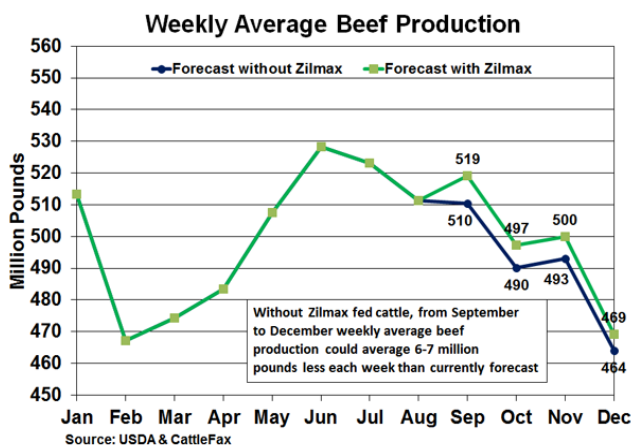
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Revalor-XS
(trenbolone acetate and estradiol)

Potential Impact from no Zilmax

The big news this week came from Tyson Fresh Meats, Inc., stating they will suspend the purchase of cattle that have been fed Zilmax until further notice, beginning September 6, 2013. The implications of this announcement will directly impact beef production levels going forward. The most significant supply variable to be impacted is likely carcass weight, which will be smaller than previously forecasted leading to smaller beef production levels. It is known that Zilmax can add 24 to 33 pounds of additional carcass weight. That said, not all of that additional carcass weight is expected to be lost as a large number of the Zilmax cattle would likely move over to Optaflexx, which can add about 12 pounds of additional carcass weight. Assuming the other beef packers stop purchasing Zilmax cattle (which may not be a fair assumption since Cargill has already stated they will continue to buy cattle fed Zilmax) and all of these fed steers and heifers are moved over to Optaflexx, carcass weights from September through December 2013 would be expected to average 5-6 pounds below a year ago compared to the previous forecast of 5 to 6 pounds above a year ago. As a result, weekly average beef production from September through December would be lowered from the



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Market Highlights

The fed cattle market was not established as we go to press but holds a higher undertone. Boxed beef was modestly higher for the week as buyers began to see value at current price levels and started to step into the marketplace as a result. Feeder cattle prices were steady to \$2 higher on the week while calves were steady to \$5 higher. Slaughter cows were steady to \$2 higher. With offerings seasonally tight at the current time, demand for the available supplies is stout. Corn continued to drift lower on the week as growing conditions continue to be excellent in much of the Midwest.

Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights were down 4 pounds at 862 pounds and are steady with last year.

previous forecast by 6 to 7 million pounds per week (1% to 1.5% of weekly beef production) as shown in the chart.

The potential price impact from the supply decline caused by lower carcass weights in the above scenario would likely be \$1 to \$2.50/cwt increase in fed prices. It's worth noting that the average price increase from the summer low to the fourth quarter high in seasonal years is about 12 percent – with a summer low near \$119.50 this would suggest a high in the low \$130's is possible.

Bottom Line: There are still a lot of unknowns as to how this situation is likely to play out in the coming weeks and months, and the scenario discussed above is only one possible outcome with several loose assumptions. Prior to the Zilmax announcement, the supply and demand fundamentals suggested the cash fed market had the potential to reach \$130 by the fourth quarter and at this point in time this is still the expectation. The impact on beef supplies due to the Zilmax announcement potentially could see the market reach slightly higher price levels, but a lot more of the “unknowns” will need to become “known” before this scenario becomes the expected outcome. *Tod Kalous*

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Supplies Past Peak Levels

Fed-Cattle Outlook



Fed cattle supplies peaked in mid-July and are slated to decline into late year. Because the placement weights were tilted towards heavier cattle going on feed over the past 60 to 90 days, supplies through September and early October, although fewer than at the current time, will be at or slightly above year ago levels before falling below year ago levels to finish the year. This is expected to support a higher trending fed cattle market, but at the same time could limit the upside until the fourth quarter when supplies tighten more noticeably.

Next Week: Beef demand will improve as Labor Day buying hits peak levels. Supplies are expected to be even to lower. This should result in a higher market; expect prices of \$121 to \$124 with the north continuing to be at the upper end of the price quotes.



Projected Fed Market Table is sponsored by

Projected Fed-Cattle Marketings (000 Head) 09-Aug-2013

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
AUG	742	384	1126	835	30	4.4	143	100
SEP	715	358	1073	755	33	4.0	142	101
OCT	706	372	1078	758	33	4.6	124	102
NOV	636	373	1009	689	35	4.0	129	102
DEC	708	371	1079	805	29	4.2	144	99
JAN	713	329	1041	809	26	4.4	138	93

CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2012	564	563	558	539	653	639	636	658	2011	637	536	639
2013	652	538	568	541	614	598	705	227	2012	533	558	586
Weekly Averages (000 hd)												
2012	134	134	133	128	148	152	151	143	2011	152	128	131
2013	148	128	135	123	139	150	160	162	2012	140	121	127
13%12	110	96	102	96	94	99	106	109	12%11	92	95	97
13%5Yr	111	93	105	95	97	103	107	108	12%5Yr	99	94	102

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2012	540	559	585	443	732	522	609	702	2011	707	697	591
2013	575	504	614	532	688	523	599	212	2012	527	605	580
Weekly Averages (000 hd)												
2012	128	133	133	106	166	124	145	153	2011	168	166	141
2013	131	120	146	121	156	131	136	151	2012	151	131	127
13%12	102	90	110	114	94	106	94	99	12%11	90	79	90
13%5Yr	102	89	106	109	106	111	115	99	12%5Yr	92	80	91

Late August-September: Supplies will continue to dwindle. Demand will improve as summer vacations end, school begins and cooler weather settles in. If premiums still exist in the futures market during September, and cheaper corn is coming into the bin, sellers may be very patient with their marketings. The fed market is currently forecast to trade from \$123 to \$126, the best of the market late.

October-December: Demand will be at peak levels during the fourth quarter as buying for the end of year holidays will be supportive. The Choice/Select spread should widen as a result of increased demand for Choice Ribs and Loins. Cattle supplies will reach their lows in November. Look for prices to trade in a \$127 to \$132 range during this timeframe. *Duane Lenz*

Contract and Formula Cattle 09-Aug-2013

	Scheduled in August	Shipped in August	Scheduled in September	Scheduled in October
Kansas	220,000	74,000	200,000	180,000
Texas	360,000	124,500	330,000	260,000
Colorado	90,000	37,000	80,000	80,000
Nebraska	200,000	46,000	180,000	180,000
Totals	870,000	281,500	790,000	700,000

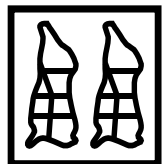
Basis Bids	September	October	November
Steers	\$1 to \$2 under	\$0.50 to \$1.50 under	\$1 to \$1.50 under
Heifers	\$1 to \$2 under	\$0.50 to \$1.50 under	\$1 to \$1.50 under

Better Buyer Interest Noted

The Choice boxed beef cutout was quoted \$1.65 higher this week while Selects closed the week \$.52 firmer. Available supplies declined modestly this week due to the shorter than expected production last week.

Buyers are starting to see value on cuts that have been quoted sharply lower over the past few weeks. Additionally, purchasing typically starts in mid-August on end cuts as buyers begin to look forward to cooler weather and buying for their fall needs. The combination of these factors is anticipated to help the cutout advance going forward. A limiting factor near-term is that it is still summertime, so immediate needs on the demand side remains limited.

Next Week: Asking prices will be higher on many cuts and buyers may look at adding inventory at current levels, creating a higher tone on the product. Choice boxes are expected to sell between \$187 and \$190, Selects from \$182 to \$185. *Duane Lenz*

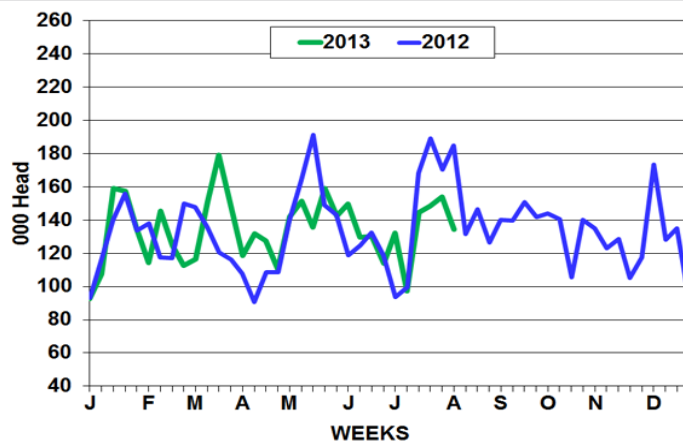


Fed Cattle Prices 09-Aug-2013

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	N.T.	N.T.	N.T.	N.T.	0	0%
KS	N.T.	N.T.	N.T.	N.T.	0	0%
NE	N.T.	N.T.	N.T.	N.T.	0	0%
CO*	N.T.	N.T.	N.T.	N.T.	0	0%
CB	N.T.	N.T.	N.T.	N.T.	0	0%
PNW*	N.T.	N.T.	N.T.	N.T.	0	0%
SW	N.T.	N.T.	N.T.	N.T.	0	0%

Price ranges reflect the last best test for average choice to high quality cattle.
*Includes all reported Canadian Imports

CattleFax Placements



Impact of Beta-Agonists on Feeder and Calf Prices

Feeder Cattle Outlook

Numerous uncertainties, in the near term, will remain in the marketplace surrounding the decision of a major packer not to process cattle fed Zilmax. One question after the announcement is, what impact will this have on feeder cattle and calf prices, particularly if other packers follow suit and these products were to go away? The simple answer is that it is not likely to benefit them.

Since the onset of significant beta-agonist usage a few years ago, cow-calf and stocker operators have been one of the biggest beneficiaries of capturing the added margin. By taking away the added weight and carcass yield from cattle feeders, and for feeder and calf prices to remain constant, the value of fed cattle and beef would have to incrementally increase to compensate for the loss of the inherent value of these products. If prices were to not increase it would in fact hamper feeder and calf values.

We must remember just how efficient and how quickly the cash and futures markets are at responding and realigning themselves when changes occur. When widespread usage of beta-agonists began, the added weight and efficiencies of the cattle at the feedyard level were quickly bid into the feeder and calf markets. Many cattle feeders that may have been reluctant to use these products were forced into competing with those who were bidding the added premiums into their breakevens when purchasing calves and feeder cattle. The fact that available cattle numbers are down with extensive competition to fill feedyard pens just exacerbated the situation.

If the total added value is near \$35 per head from the use of Zilmax, and that is already figured into the breakeven price of a fed animal, it means that 550 pound calf prices have potentially benefited by over \$6/cwt and 850 pound feeders have potentially benefited over \$4/cwt during the past several years.

The questions that remain unanswered are—how much of an overall beef tonnage loss can potentially occur, and if the market is shorted of that product will prices increase to compensate for the \$35 loss? Those questions lead to many more, such as—will cattle feeders sell at a lighter weight or will they increase days on feed, increasing corn usage? There is a big difference between recent \$1.30 costs of gain compared to projected \$0.80 to \$0.90 costs of gain. Still, these prices are all relative as the market adjusts to different cost of gain scenarios.

Bottom Line: If fed cattle weights are lighter, and or cattle feeders have to feed more corn in order to get the same weight, that is not going to benefit calf and feeder prices. However, if fed cattle values and beef prices were to incrementally increase in order to offset either the lack of production or the added cost to produce the same weight, then there would be very little impact to feeder and calf values. Prices are not likely to benefit due to the efficiencies of the market that will swiftly realign itself with the overall inherent values of the cattle at each stage of production. *Troy Applehans*

Feeder Cattle and Calves: Representative Direct Sales					
Area	No.	Wt.	Breed Type	Price	Del.
WEST					
ID	540	850	STEERS		
			Choice Eng/Exotic X	147.00	SEP
ID	600	850		Choice Eng/Exotic X	146.00
WEST					
ID	180	725	HEIFIERS		
			Choice Eng/Exotic X	144.00	SEP
CENTRAL					
KS	750	725	STEERS		
			Ch Eng X - DEL	154.00	SEP
KS	3,000	710		Ch Eng X - DEL	157.38
KS	400	625		Ch Eng X - DEL	171.50
TX	550	750		Choice English X	156.00
TX	800	700		Choice English X	160.70
MT	400	620		Choice English X	167.00
NM	300	725		Choice English X	159.17
SD	450	525		Choice English X	173.90
SD	350	600		Choice English X	164.65
CENTRAL					
KS	150	650	HEIFIERS		
			Choice English X	154.70	NOV
TX	400	650		Choice English X	154.10
TX	150	700		Choice English X	151.00
TX	1,600	700		Ch Eng X - DEL	153.25
MT	200	580		Choice English X	160.50
SD	150	500		Choice English X	167.50
SD	150	575		Choice English X	157.25
SOUTH					
GA	275	675	STEERS		
			Choice English X	148.40	IMM
GA	300	725		Choice English X	145.25
GA	350	775		Choice English X	144.10
SOUTH					
GA	200	625	HEIFIERS		
			Choice English X	143.00	IMM
GA	300	675		Choice English X	142.00
GA	200	725		Choice English X	136.85
Live Cattle Imports, Year-to-Date Totals					
	27-Jul-13	13-YTD	12-YTD		
Canada					
Feeders	1,520	166,660	101,871		
Slaughter	9,130	434,143	337,085		
03-Aug-13					
	13-YTD	12-YTD			
Mexico					
	4,735	539,271	991,851		

Feeder Cattle Price 09-Aug-2013

West & Northwest							Central							Southeast						
CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR	ID	TX	KS/MO	ND/SD	NE	OK	IA	AL	AR	FL	GA	LA/MS	KY/TN		
STEER							STEER							STEER						
9-10	143-147	140-148	131-135	131-135	130-137	130-136	9-10	133-137	134-147	144-148	147-151	135-139	140-144	9-10	129-133	129-133	126-130	128-132	127-131	135-139
8-9	147-151	144-152	136-140	136-140	135-149	135-141	8-9	144-148	144-153	148-152	152-156	145-149	146-150	8-9	141-145	141-145	139-143	141-145	140-144	141-145
7-8	152-157	151-158	142-147	142-147	141-153	141-148	7-8	149-154	145-155	154-159	160-165	150-155	155-160	7-8	146-150	145-149	141-145	143-147	141-145	148-152
6-7	159-166	160-168	150-157	150-157	148-160	149-158	6-7	155-162	153-162	161-168	164-171	157-164	156-163	6-7	145-152	147-154	142-149	143-151	141-148	150-157
5-6	164-174	164-175	156-166	155-166	154-170	154-166	5-6	162-172	162-172	165-175	175-185	172-182	166-176	5-6	150-160	154-164	145-155	146-156	145-155	153-163
4-5	177-187	178-192	167-177	165-177	165-190	164-176	4-5	178-188	170-185	183-193	190-200	182-192	192-202	4-5	172-182	172-182	161-171	161-171	170-180	165-175
HEIFER							HEIFER							HEIFER						
8-9	136-140	134-141	128-132	128-132	127-137	127-133	8-9	130-134	133-140	138-142	140-144	133-137	138-142	8-9	125-129	125-129	121-124	123-127	122-128	130-134
7-8	141-146	138-147	134-139	134-140	133-143	134-141	7-8	132-137	137-144	143-148	141-146	137-142	143-148	7-8	138-143	137-142	131-136	133-138	131-136	134-139
6-7	146-153	141-154	137-144	137-145	135-146	137-146	6-7	133-140	138-148	147-154	149-156	139-146	144-151	6-7	138-145	138-145	136-143	137-144	134-141	136-143
5-6	147-157	148-162	142-152	141-152	140-156	140-152	5-6	145-155	142-155	149-159	156-166	145-155	154-164	5-6	135-145	142-152	131-141	132-142	138-148	135-145
4-5	159-169	160-170	154-164	153-164	152-163	152-164	4-5	150-160	150-168	160-170	170-180	152-162	161-171	4-5	147-157	153-163	142-152	143-153	145-155	140-150
COWS							COWS							COWS						
util	77-87	77-87	79-84	77-82	76-86	74-84	util	81-88	80-91	76-86	79-85	82-90	78-84	util	77-85	76-86	77-86	77-86	74-84	77-85
cn/cut	73-83	73-83	69-76	65-74	64-83	65-77	cn/cut	75-85	71-88	74-84	73-80	74-83	72-79	cn/cut	73-78	73-83	73-81	74-82	65-75	73-80
bulls	93-103	93-105	83-95	81-94	79-103	81-95	bulls	94-104	94-104	95-105	98-104	99-106	97-103	bulls	97-103	94-104	95-104	96-105	93-103	100-107
West — Feeder cattle prices were mostly \$1 to \$3 higher, with steer prices realizing the largest gains. Calf prices were mostly \$2 to \$3 higher. Slaughter cow values were mostly \$1 to \$2 higher. — Chad Spearman							Central — Feeder cattle traded from steady to \$2 higher this week. Calves were mostly steady, with instances of up to \$5 higher. Market cows were \$1 to \$2 higher. — Troy Applehans							Southeast — Feeder cattle prices were steady to \$2 higher this week. Calves were mostly \$3 to \$5 higher, with instances of \$8 to \$10 higher. Market cows were steady to \$2 higher. — Troy Applehans						



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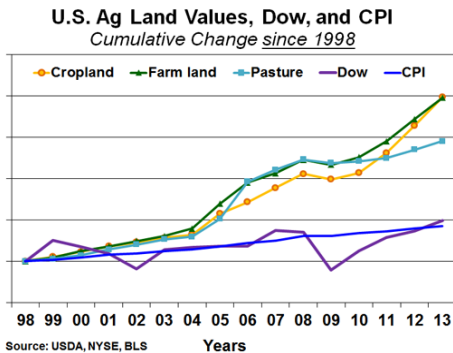
Land Values Higher

According to a recent report from USDA, January 1, 2013, Ag land values surged higher on record corn prices. Average cropland values topped \$4,000/acre, up 13 percent over the prior year, averaging 13 percent growth each of the past three years. Pasture values also increased, up to \$1,200/acre, a 4.3 percent annual increase. Average farm real estate values reached \$2,900/acre, up 9.4 percent. A drill-down into the data shows the largest land price hikes occurred in the oil/gas regions of the Northern Plains and Southern Plains, as well as the Corn Belt.

On this chart you can see the cumulative percent appreciation of Ag land values versus the CPI (Consumer Price Index) and the Dow stock market average since 1998. Ag land has quadrupled stock market cumulative returns due to the 2008 recession in stocks and a global demand surge for Ag commodities over that time period. However, this chart changes depending on the base year. Since 1980, average farm real estate has only increased a cumulative 260 percent versus the Dow at 1,198 percent and the CPI at 166 percent.

Managing an operation from a business perspective requires consideration of land value appreciation in addition to operating returns. While land appreciation is not cash in hand, it builds wealth and expands bank borrowing capacity. However, "past performance is not indicative of future behavior". With deferred corn contracts now below \$4.70/bushel, we will likely see cropland values lose some of their steam. *Brett Stuart*

For more charts from the recent USDA Land Values report go to the CattleFax website.



F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----			
	27-Jul-2013	28-Jul-2012	2013	2012	2013	2012	Pct Chg	
Total Slt	640	634	18423	18591	DN	0.9		
	Pct	No	Pct	No				
Steers	51.1	327	52.4	332	9230	9345	DN	1.2
Heifers	28.9	185	26.8	170	5242	5372	DN	2.4
Cows	18.3	117	19.2	122	3645	3567	UP	2.2
Bulls	1.7	11	1.7	11	307	308	DN	0.3

Summary of Activity Sponsored by:

Elanco



Summary of Activity	This Week 9-Aug-13	Last Week 2-Aug-13	Year Ago 10-Aug-12
CattleFax Data			
Placements	134,473	153,894	184,690
Shipments	150,296	168,615	166,072
Avg In-Weights	725	745	729
USDA Slt Wgts	1,305	1,304	1,301
USDA Str Carc Wgt*	862	866	862
Days on Feed	N/A	151	164
Carryover Pct	30	30	31
Weekly Supply	383,700	414,800	408,700
Percent Grade Choice & Higher	64.85	66.47	64.36
Prime Grade Pct	2.90	3.17	3.04
Choice Grade Pct	61.95	63.30	61.32
Select Grade Pct	30.45	29.13	30.50
Live Prices (\$/cwt)			
Slaughter Steers	N/A	119.97	119.25
Steer Calf (450#)	180.85	177.07	164.62
Steer Calf (550#)	165.92	163.81	149.31
Yearling Steer (650#)	157.63	155.92	141.33
Yearling Steer (750#)	151.37	150.41	136.46
Yearling Steer (850#)	146.25	146.03	130.83
Utility and Commercial Cows	82.32	81.02	79.73
Canner and Cutter Cows	76.83	75.75	73.97
Lean Hogs	99.84	98.39	90.75
Omaha Corn (\$/bu)	5.87	5.72	8.21
12-City Broiler	90.90	93.36	80.54
Dollar Index	81.16	82.01	82.71
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	193.35	193.25	192.91
Choice Cutout	188.31	186.66	182.52
Select Cutout	182.05	181.53	176.63
Choice/Select Price Spread	6.26	5.13	5.89
Cow Cutout	160.70	159.74	163.95
Hide and Offal	14.00	14.42	13.26
Pork Cutout	104.37	102.52	92.80
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	633.0	625.0	640.0
Hogs	2,019.0	2,022.0	2,046.0
Total Red Meat Production	917.5	912.1	920.0
Beef Production	502.6	496.4	506.4
Pork Production	409.9	410.7	408.7
Poultry Production	N/A	805.9	747.9
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 08/08	N/A	120.18	119.24
Wed 08/07	149.72	120.07	119.04
Tue 08/06	149.74	120.07	119.04
Mon 08/05	149.79	120.07	119.04
Fri 08/02	149.59	120.07	119.04

* USDA steer carcass weights are actual from two weeks ago.

** 5-Day weighted average fed steer price (CO,IA,KS,NE,TX,OK), (KS,TX,OK)