

CattleFax UPDATE

THE
DECIDING
FACTOR

JUNE 20, 2014 | ISSUE 25 | VOL. XXXXVI

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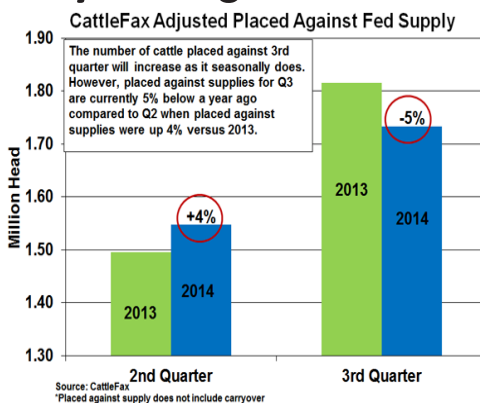
Revalor-XS
(trenbolone acetate and estradiol)

Fed Market Unseasonably Strong

The fed cattle market has advanced \$7/cwt. over the last three weeks, typically during a time frame when the cash market is trending lower. The factors that have led to this market rally, in part, can be attributed to strong demand for beef and pork, supply and positive basis (cash above futures).

As noted a couple of weeks ago in the CattleFax Update, pork supply has been larger than projected during the spring in spite of the PED virus. As our analysis suggested there is still likely going to be further reductions to supply during the third quarter. What has really stood out from the pork industry has been demand. The most recent data would suggest that wholesale pork demand will be up nearly 20 percent during May/June. The fact that the pork cutout is trading near the highs set this spring and with projected declines seasonally in pork production going into the summer, the pork cutout will be well supported near \$120/cwt. It is important to note the impact exports, specifically hams, are having on pork demand. The value of hams as a percent of the total pork cutout is on pace to average record high during the second quarter.

The placed against fed supply for the second quarter was larger than a year ago, which reflected the increase in placements during the October of 2013 to February of 2014 time frame. However, placed against supplies for the third quarter are running below year-ago levels. Part of the strength to the cash market can be attributed to the expected smaller fed cattle supplies. The packer has been willing to extend inventory in the last few weeks, which has not had a negative impact on the fed market. Carryover will be critical to the fed supply going forward and it may increase due to the smaller fed cattle slaughter levels. That being



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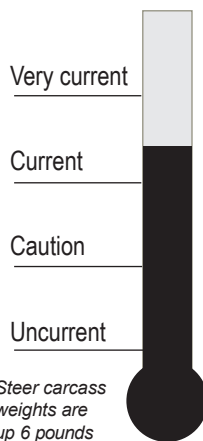


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Market Highlights

The fed cattle market ranged from steady to as much as \$2 higher this week. In the South, sales were collected at \$149 to mostly \$150, while in the North, the bulk of the trade occurred at \$148 to \$150 on a live basis and \$234 to \$239 dressed. Trade volumes ranged from light to moderate. Boxed beef values were sharply higher this week as good weekend clearance out of the Father's Day weekend combined with higher asking prices and short bought buyers to push beef prices higher. Feeder cattle were \$4 to \$5 higher for the week while calves were \$4 to \$6 higher for the week. Slaughter cows were mostly \$1 to \$2 higher. Corn values pushed higher this week as concerns mounted about the Middle East and the effects that could have on energy prices as well as a corn futures market that was technically oversold.

Currentness



said, will it grow enough to be a huge detriment to the fed market? The answer at this point is not likely.

The positive fed cattle basis (cash above futures) that the cattle feeder has experienced most of 2014, has resulted in the cattle feeders' willingness to sell cattle, but at the same time willingness to wait until later in the week to trade cattle, which in turn has forced the packer to be more aggressive buying cattle. The strong basis has also been supportive to live cattle futures and this is reflected in the open interest (number of "open" long and short futures market positions). Seasonally during the second quarter, open interest can drop by as much as 70,000 contracts, but so far this year it has only declined 40,000 contracts from the peak.

Bottom Line: The strength of the cash fed market in recent weeks cannot be attributed to one single factor, but instead it is a full circle of variables having a positive impact on the market including supply, demand and the basis. Seasonality still suggests the cash fed market has risk, but it is likely going to be limited with the low-to-mid \$140's range which is now strong support. *Michael Murphy*

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Summer Pullback Expected

The fed market continues to outperform expectations and has rallied \$7 over the past 3 weeks. That said, we still need to look at the calendar and remember that over the next 30 days we will be working through our peak fed cattle supplies and over the next 60 days the heat of the summer will weigh on beef demand/usage. This combination would suggest that the fed market will pull back moving into July. Longer term we remain in a long term bull market due to tight protein supplies, especially beef as we move into an expansion phase and strong domestic and global demand. All of these factors will support historically high prices for beef and all classes of cattle for the rest of 2014 and 2015.

Next Week: Fed supplies will be even to larger, while the beef complex is expected to trade firm early softer late. Fed cattle prices are expected to trade near steady.

July: Fed cattle supplies will be at their seasonal peak. Cattle feeders are expected to remain willing sellers due to good profitability, although the poor swap on feeder cattle and lower trending corn prices will slow down pulling cattle forward. Softer beef demand is the norm although tight total meat supplies will support strong prices for all proteins. Fed cattle prices are expected to stay historically strong, but drift lower with risk back into the low-to-mid \$140's.

Projected Fed-Cattle Marketings (000 Head) 20-Jun-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
JUN	778	393	1171	871	31	4.2	144	96
JUL	843	3825	1226	907	30	4.4	144	90
AUG	770	380	1150	845	30	4.2	140	96
SEP	731	362	1093	838	27	4.2	139	94
OCT	765	310	1075	818	28	4.6	124	95
NOV	743	310	1053	708	36	3.8	130	101

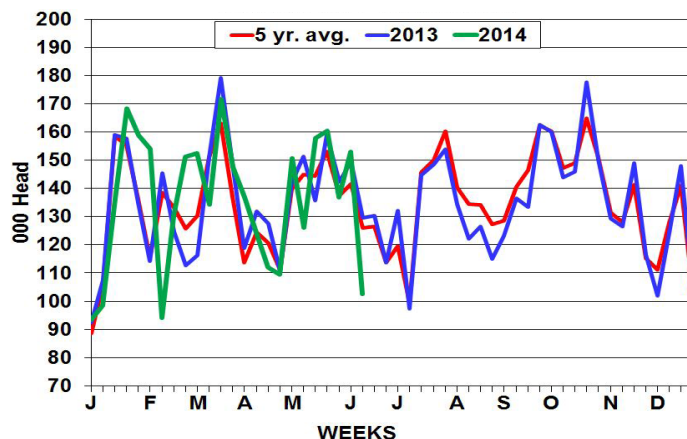
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2013	652	538	568	541	614	598	2012	636	658	533	558	533
2014	605	534	553	589	586	442	2013	705	641	592	597	516
Weekly Averages (000 hd)												
2013	148	128	135	123	139	150	2012	151	143	140	121	127
2014	137	133	132	134	139	147	2013	160	146	148	130	129
14%13	93	104	98	109	100	98	13%12	106	102	106	107	102
14%5Yr	101	96	103	105	99	100	13%5Yr	107	97	105	102	100

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2013	575	504	614	532	688	523	2012	609	702	527	605	535
2014	605	529	635	542	643	364	2013	599	576	576	702	576
Weekly Averages (000 hd)												
2013	131	120	146	121	156	131	2012	145	153	151	131	127
2014	138	132	151	123	153	121	2013	136	131	144	153	144
14%13	105	110	103	102	98	92	13%12	94	86	95	117	113
14%5Yr	107	99	108	107	102	99	13%5Yr	115	86	89	99	105

CattleFax Placements



Fed-Cattle Outlook

August-September: Projected fed cattle supplies will decline moving from summer to fall and beef production will continue to run well below year-ago levels. Continued lower non-fed slaughter levels will contribute to the production declines. Beef demand/usage normally improves as the weather cools moving into the fall. Supply/demand fundamentals suggest the fed market will rally into the fall and trade in the mid-to-upper \$140's.

October-November: Seasonally tighter fed supplies and strong late-year beef demand is expected. This combination should support a fed market that could spend most of the time at or above \$150. *Kevin Good*

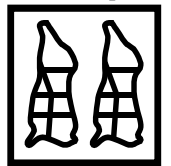
Contract and Formula Cattle 20-Jun-2014

	Scheduled in June	Shipped in June	Scheduled in July	Scheduled in August
Kansas	225,000	170,000	215,000	210,000
Texas	320,000	228,500	310,000	300,000
Colorado	80,000	59,000	80,000	80,000
Nebraska	210,000	150,000	200,000	190,000
Totals	835,000	607,500	805,000	780,000

Basis Bids	August	September	October
Steers	even to \$1 under	\$1 to \$2 under	even to \$1 under
Heifers	even to \$1 under	\$1 to \$2 under	even to \$1 under

Last of the Early Summer Holidays

Beef
Complex



Choice boxed beef prices were quoted \$9.57 higher for the week, while Selects closed the week \$9.49 firmer. Asking prices were sharply higher on Monday, reacting to good weekend clearance for Father's Day as well as the higher fed cattle values posted last week. Short-bought buyers had no choice but to refill the pipeline at the higher ask.

4th of July bookings are in the process of being completed. Typically this holiday is more of a hamburger and hot dog event, but we will also get some steak items mixed in as well. This is the last of the summer holidays until Labor Day, so buyers may take a break on aggressively procuring beef after this round of buying is completed.

Next Week: Product will be more available moving forward and buyers may go back to being hand to mouth, pressuring prices going forward. Look for Choice boxes to trade between \$237 and \$241, Selects from \$230 to \$234. *Duane Lenz*

Fed Cattle Prices 20-Jun-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	149-150	N.T.	149-150	N.T.	84,500	97%
KS	150	N.T.	150	N.T.	70,000	86%
NE	148-150	234-238	148-150	234-238	80,000	65%
CO*	148-150	238	148-150	238	22,000	0%
CB	148-150	235-238	148-150	235-238	20,000	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

Are We There Yet?

All year long the decision tree has suggested that sellers of spring/summer/fall feeder cattle had limited downside risk to protect against and less aggressive strategies were warranted. So far the only thing that has changed is that the market rally has achieved some very solid gains.

From an historical perspective, the market has had larger rallies on a percentage basis, but it has now moved to the level where sellers need to be monitoring closely. The first chart illustrates the percent rally from the annual low to the annual high, regardless of when that high or low occurs. The cash rally from the low of \$168.05, which was January 1, 2014 to \$204.82 this week equates to a 22% rally. In seasonal cash fed cattle market years, the average rally equals 20%. The five seasonal fed market years with larger feeder market rallies were 1987, 1997, 2003, 2004, 2007 and 2010 – those percent increases ranged mostly from 25 to 31 percent, while the 2003 and 2004 rallies were 39 to 43 percent. A rally of 25 to 31 percent would equate to a high of \$210 to \$220/cwt., which is an achievable range, but the top end is

Feeder Cattle Outlook

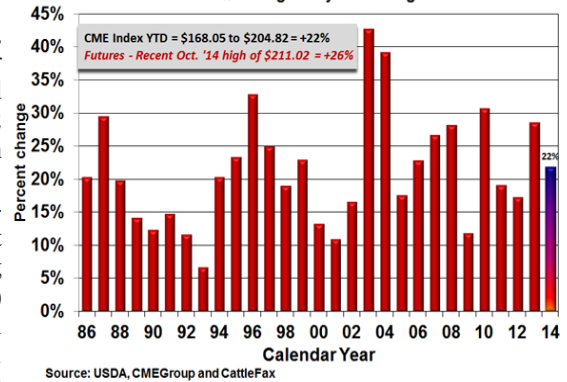
not a given. In fact, the October '14 feeder futures contract rallied to a high of \$211.02 this week, pricing in a 26 percent rally.

The second perspective is the percent change from the spring low (March-May) to the summer/fall high (July-October). The spring low was \$171.98/cwt and the rally to this week's high of \$204.82 equates to a 19 percent rally. Plug in the high implied by October '14 futures of \$211.02 this week and that equates to a 23 percent rally. In the seasonal fed market years, only 2003 and 2004 realized larger rallies which reached 43 and 35 percent increases respectively.

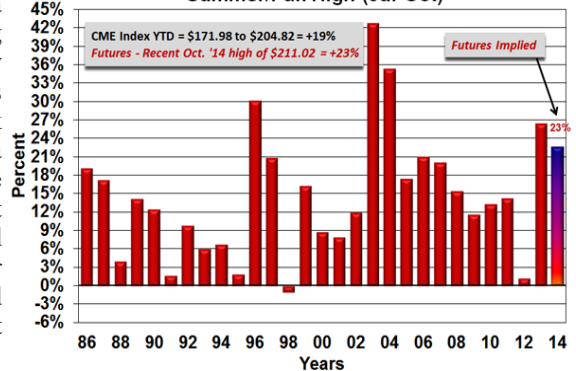
The bottom line is that the cash feeder cattle market still has additional upside potential, but a very respectable rally has occurred. Sellers are advised to reward the market by locking in some of the gains, preferably by setting a price floor with put options, because trends remain higher in feeder cattle and deferred live cattle.

Chad Spearman

CME Feeder Cattle Index - Annual Low to High
% Change Daily Low to High



CME Feeder Index Spring Low (Mar-May) to Summer/Fall High (Jul-Oct)



Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
WEST					
STEERS					
MT	680	680	CH Eng/Exot X	219.50	OCT
MT	150	875	CH Eng/Exot X	200.84	SEP
ID	400	860	CH Eng/Exot X	189.09	IMM
ID	620	575	CH Eng/Exot X	210.54	OCT
ID	850	675	CH Eng/Exot X	202.78	OCT
WEST					
HEIFERS					
MT	2,300	850	CH Eng/Exot X	192.34	SEP
ID	180	660	CH Eng/Exot X	191.13	OCT
ID	2,800	850	CH Eng/Exot X	196.09	SEP
Live Cattle Imports, Year-to-Date Totals					
	07-Jun-14	14-YTD	13-YTD		
Canada					
Feeders	3,903	217,805	151,749		
Slaughter	9,690	345,988	365,032		
	14-Jun-14	14-YTD	13-YTD		
Mexico	18,527	486,853	480,742		

Feeder Cattle Price 20-Jun-2014

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
wts	STEER						wts	STEER						wts	STEER					
9-10	179-183	175-184	171-176	171-180	170-179	174-181	9-10	188-192	187-193	188-192	188-192	190-194	188-192	9-10	168-172	170-174	162-166	166-170	168-172	181-185
8-9	195-199	192-200	184-189	184-189	183-189	183-190	8-9	195-199	201-205	204-208	208-212	196-200	204-208	8-9	184-188	190-194	178-182	182-186	184-188	188-192
7-8	201-206	198-208	200-206	199-206	198-205	198-206	7-8	205-210	209-214	212-217	215-220	207-212	212-217	7-8	193-198	201-206	189-194	192-197	193-198	198-203
6-7	231-238	230-239	225-234	224-234	221-232	223-234	6-7	217-224	225-232	235-242	239-246	219-226	234-241	6-7	211-218	213-220	205-212	207-214	211-218	217-224
5-6	252-262	245-264	236-247	236-247	234-252	235-248	5-6	242-252	244-254	255-265	256-266	250-260	255-265	5-6	224-234	228-234	219-229	221-231	226-236	229-239
4-5	266-278	262-280	252-264	252-265	250-271	250-266	4-5	262-274	263-276	273-285	265-277	268-280	268-280	4-5	240-252	244-256	239-251	240-252	238-240	242-254
	HEIFER							HEIFER							HEIFER					
8-9	177-181	175-183	174-179	174-180	171-178	173-181	8-9	177-181	179-185	181-185	188-192	179-183	183-187	8-9	171-175	173-177	165-169	169-173	171-175	177-181
7-8	189-194	185-196	187-193	187-194	181-192	186-195	7-8	186-191	187-192	193-198	196-201	191-196	193-198	7-8	180-185	183-188	175-180	178-183	180-185	186-191
6-7	208-215	205-217	205-214	205-215	193-212	204-216	6-7	205-212	208-216	210-217	212-219	208-215	209-216	6-7	192-199	192-199	187-194	189-196	191-198	193-200
5-6	219-229	215-231	218-229	218-229	213-243	216-230	5-6	216-226	220-231	225-235	225-235	226-236	224-234	5-6	204-214	213-223	199-209	201-211	201-211	211-221
4-5	233-245	232-247	233-245	232-245	230-243	230-245	4-5	230-242	230-245	243-255	246-258	238-250	243-255	4-5	220-232	227-239	218-230	219-231	218-231	220-232
	COWS							COWS							COWS					
util	97-107	96-108	99-107	99-108	96-106	99-109	util	99-109	102-112	97-107	105-112	107-114	97-107	util	104-110	95-105	98-108	98-108	98-108	99-105
cn/cut	92-102	92-102	91-99	90-99	89-103	88-102	cn/cut	98-104	94-110	94-100	96-105	96-103	94-100	cn/cut	97-102	91-101	96-102	96-102	86-96	90-95
bulls	115-125	115-125	112-125	109-126	110-129	111-131	bulls	118-128	117-130	115-122	125-135	125-131	115-125	bulls	124-129	116-126	118-125	118-125	118-128	118-123
West — Feeder cattle prices were mostly \$1 to \$4 higher. Calf prices were mostly \$2 to \$7 higher. Slaughter cow values mostly \$1 to \$2 higher. — Chad Spearman							Central — Feeder cattle prices were \$1 to \$5 higher for the week. Calves were \$2 to \$7 higher. Market cows were \$1 to \$2 higher. — Troy Applehans							Southeast — Feeder cattle prices were mostly \$4 to \$5 higher. Calf prices were mostly \$4 to \$5 higher. Slaughter cow values mostly \$1 to \$2 higher. — Chad Spearman						



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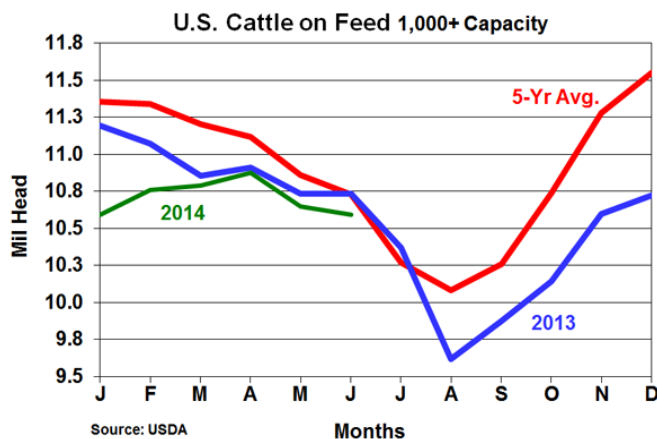
No Surprises

Cattle-on-feed was down 2 percent versus a year ago. Marketings came in down 4 percent compared to a year ago. Placements were down 7 percent compared to a year ago.

U.S. Cattle-on-Feed June 1, 2014 1,000+ capacities

	Average 2009-2013	2013	2014	% year ago
COF May 1	10864	10760	10648	99
Placed	1922	2055	1912	93
Marketed	1957	1948	1865	96
Other Dis.	96	100	101	101
COF June 1	10730	10767	10594	98

There were 4.3 marketing weeks this year versus 4.4 last year. Federally inspected steer and heifer slaughter is projected to be down 5 percent compared to a year ago. The Cattle-On-Feed population is on track with the seasonal and should find its low in another couple of months. The moisture conditions around the country could result in cattle staying on grass a little longer this year, which could push the absolute low in the on feed population back another month. *Michael Murphy*



F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
	07-Jun-2014	08-Jun-2013	2014	2013	Pct Chg		
Total Slt	617	648	13251	13974	DN 5.2		
	Pct	No	Pct	No			
Steers	53.8	332	52.0	337	6796	6898	DN 1.5
Heifers	27.4	169	27.2	176	3729	4011	DN 7.0
Cows	16.9	104	19.0	123	2492	2833	DN 12.0
Bulls	1.8	11	1.9	12	235	232	UP 1.3

Summary of Activity Sponsored by:



Summary of Activity	This Week 20-Jun-14	Last Week 13-Jun-14	Year Ago 21-Jun-13
CattleFax Data			
Placements	108,326	102,649	130,295
Shipments	142,763	126,358	147,373
Avg In-Weights	704	746	738
USDA Slt Wgts	1,304	1,301	1,305
USDA Str Carc Wgt*	850	844	853
Days on Feed	141	137	147
Carryover Pct	31	31	32
Weekly Supply	393,700	370,900	424,400
Percent Grade Choice & Higher	67.99	68.36	65.45
Prime Grade Pct	3.39	3.18	3.13
Choice Grade Pct	64.60	65.18	62.32
Select Grade Pct	27.21	27.34	29.52
Live Prices (\$/cwt)			
Slaughter Steers	149.29	148.64	120.33
Steer Calf (450#)	264.46	262.55	166.52
Steer Calf (550#)	247.38	240.14	155.01
Yearling Steer (650#)	227.39	222.61	145.58
Yearling Steer (750#)	206.00	202.11	137.09
Yearling Steer (850#)	196.24	190.93	130.59
Utility and Commercial Cows	104.47	102.25	78.02
Canner and Cutter Cows	98.26	96.49	73.32
Lean Hogs	118.62	113.71	101.40
Omaha Corn (\$/bu)	4.50	4.46	7.33
12-City Broiler	112.50	113.08	107.07
Dollar Index	80.42	80.68	82.15
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	245.34	236.11	208.22
Choice Cutout	240.46	230.89	199.30
Select Cutout	233.09	223.60	185.88
Choice/Select Price Spread	7.37	7.29	13.42
Cow Cutout	202.61	198.36	157.55
Hide and Offal	15.56	15.70	14.48
Pork Cutout	128.10	123.45	106.73
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	613.0	605.0	659.0
Hogs	1,899.0	1,915.0	1,978.0
Total Red Meat Production	898.7	894.8	930.5
Beef Production	484.5	477.0	518.1
Pork Production	409.3	413.2	407.6
Poultry Production	N/A	763.8	774.8
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 06/19	N/A	149.53	149.70
Wed 06/18	204.82	148.55	147.83
Tue 06/17	203.70	148.74	147.83
Mon 06/16	203.44	148.74	147.83
Fri 06/13	202.00	148.74	147.83

* 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)