

# CattleFax UPDATE

THE  
DECIDING  
FACTOR

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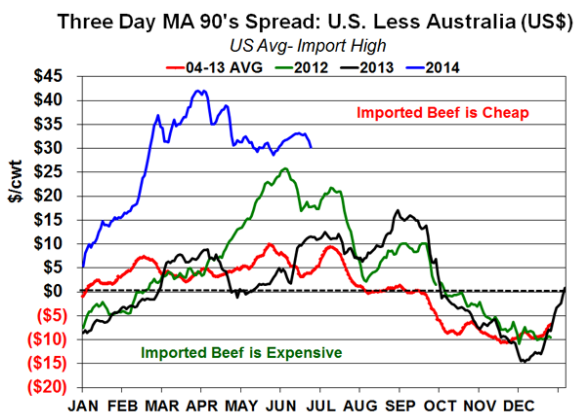
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## Rising Imports, but Not Bearish

Year-to-date weekly import data reported by U.S. Customs and Border Protection is up 31,829 metric tons or 9.1 percent. However, all of the year-over-year increase has come in second quarter 2014, which compared to a year ago, is up 36,433 metric tons or 19 percent. Robust wholesale ground beef and trim demand and tighter lean beef supplies from reduced cow and bull slaughter propelled lean and trim prices higher in late January, peaking in March. The attractive U.S. prices for those items lead to the surge in beef imports. In the February 7<sup>th</sup> CattleFax Update, the growing influence of grinds to the U.S. beef market was discussed along with the additional lean product that would be needed to meet the demands for grinding beef. One option has obviously been to import more beef.

The largest year-over-year increases have come from Australia and New Zealand. Their combined week-over-week imports are up 28,351 metric ton, or 15 percent. The price spread



between U.S. 90 percent lean beef trimmings and Australian/New Zealand lean beef set a daily record in recent weeks at 45 cents per pound as the U.S. market bid Australian lean product away from its more typical destination – China. Mexico and Canada imports are up 2,360 and 5,704 (5.5 and 7.0 percent) metric tons, respectively on a year-over-year basis. The only country with lower year-over-year imports is Uruguay, down 3,500 (30 percent) metric tons.

CattleFax does not expect things to change in the months ahead. Recent rains in major cow states have improved the forage situation and cow slaughter should continue to run significantly below a year-ago levels. Lean grinding meat supplies will continue to stay historically tight. End meats from steer and heifer slaughter will continue to be drawn into the grinder and imports will stay elevated as the U.S. market meets the demand for ground beef. Keep in mind that the key cattle producing regions in Australia have been in an extended drought and they have been liquidating females. The herd is shrinking again, which will only tighten the available supply of lean beef as we look to 2015.

**Bottom Line:** Imports are significantly above a year ago, but the increase has not negatively affected the U.S. market. Actually, the increase in imports is a reflection of record-tight domestic lean beef supplies as 90 percent lean beef trim remains at record prices. The current U.S. beef cowherd liquidation cycle has been broken and rebuilding is starting to gain momentum. This will keep domestic lean beef supplies snug over the next few years and the U.S. market will continue to look outside its borders to meet lean grinding beef demand. *Alan Smith*

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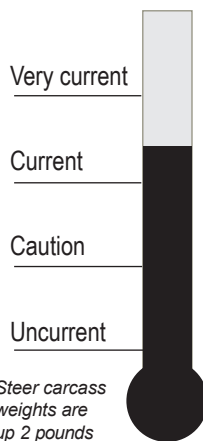
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### Market Highlights

The fed cattle market was \$4 to \$5 higher this week as trade in the South was noted at \$154 to \$155, while sales in the North were primarily \$154 to \$156 live and \$243 dressed as we go to press. Boxed beef was steady to modestly higher for the week with buyer resistance surfacing late week after the recent steep price advance. Limited offerings due to the upcoming short production week should support prices near-term. Feeder cattle values were \$2 to \$6 higher this week, calves were steady to \$4 firmer, while slaughter cows were mostly \$2 to \$8 higher. All classes of replacement cattle continue to set new record highs nearly on a daily basis. Seasonally-light offerings are combining with very strong buyer demand to keep prices pushing higher. Corn values traded mostly sideways for the week, with little news to push the market one way or the other very far.

### Currentness



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# Fireworks!

Fed cattle values have moved higher through June which is not only unseasonal, but also very much of a surprise to market participants and forecasters. While slaughter levels may be modestly under earlier forecasts, certainly they are currently larger than what was noted this spring, when harvest levels were running at 570,000 to 590,000 on a weekly basis. This leaves the demand side. Demand typically slows after Father's Day, but this year it has improved. Higher competing protein prices, cattle supplies that remain below a year ago and a slowly improving economy all are likely factors, but the overriding pleasant surprise is how well consumers are staying with beef - even at record high levels. If this holds, it bodes well for the fed cattle market as supplies begins to tighten in August and demand improves seasonally going through the balance of the summer and into the fourth quarter.

**Next Week:** Packers will be buying for a full production levels and beef will be supported by lighter offerings due to the holiday shortened week. Look for prices to trade steady to \$1 higher.

**July:** Supplies will peak late in the month and as hot weather hits full stride, especially in the heavily populated regions in the East, consumers may move towards lighter fares, slowing beef demand from current levels. A cash pullback

## Projected Fed-Cattle Marketings (000 Head) 27-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	889	31	4.2	147	98
JUL	814	399	1214	911	29	4.4	144	90
AUG	770	363	1133	844	29	4.2	140	96
SEP	740	345	1085	837	27	4.2	139	94
OCT	765	302	1067	818	27	4.6	124	95
NOV	743	302	1046	708	36	3.8	130	94

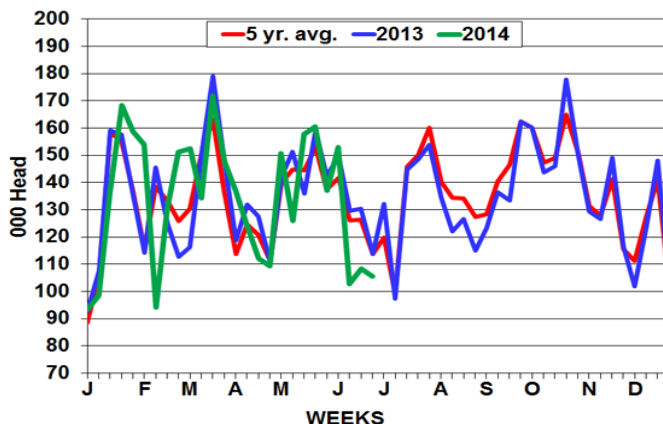
## CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Monthly Totals (000 hd)</b>												
2013	652	538	568	541	614	598	2012	636	658	533	558	533
2014	605	534	553	589	586	586	2013	705	641	592	597	516
<b>Weekly Averages (000 hd)</b>												
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	99	13%5Yr	107	97	105	102	100

## CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Monthly Totals (000 hd)</b>												
2013	575	504	614	532	688	523	2012	609	702	527	605	535
2014	605	529	635	542	643	469	2013	599	576	576	702	576
<b>Weekly Averages (000 hd)</b>												
2013	131	120	146	121	156	131	2012	145	153	151	131	127
2014	138	132	151	123	153	117	2013	136	131	144	153	144
14%13	105	110	103	102	98	89	13%12	94	86	95	117	113
14%5Yr	107	99	108	107	102	96	13%5Yr	115	86	89	99	105

## CattleFax Placements



## Fed-Cattle Outlook

by late in the month to the mid-to-upper \$140's remains possible.

**August-November:** Fed cattle supplies will decline throughout this period, remaining below a year ago. At the same time, beef demand will improve as summer winds down. Larger pork and poultry supplies in the fourth quarter could be a limiting factor. Look for a market that steadily improves into late year, with a market that spends the bulk of the time from the low to mid \$150's, especially late in the period.

*Duane Lenz*

## Contract and Formula Cattle 27-Jun-2014

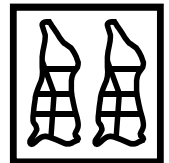
	Scheduled in June	Shipped in June	Scheduled in July	Scheduled in August
Kansas	225,000	223,000	215,000	210,000
Texas	320,000	308,500	310,000	300,000
Colorado	80,000	76,000	80,000	80,000
Nebraska	210,000	197,000	200,000	190,000
Totals	835,000	804,500	805,000	780,000

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

## Light Production to Limit Offerings

Beef Complex



Prices for the Choice boxed beef cut-out closed the week \$2.24 higher; Selects over the same period advanced by \$0.21. Even though slaughter levels have increased, sellers report being in a very good sold position, enabling them to price beef higher on a daily basis.

Prices have moved sharply higher over the past three weeks in spite of higher harvest levels. This speaks well for beef demand, both currently and moving through summer which is traditionally when demand is seasonally weak. Even though downside risk is still anticipated for July, a higher low than previously forecast is very possible, supporting a better than expected summer fed cattle market in the process.

**Next Week:** A holiday shortened production week will keep asking prices firm and short bought buyers in the marketplace. Look for Choice boxes to sell from \$244 to \$248, Selects between \$235 and \$239.

*Duane Lenz*

## Fed Cattle Prices 27-Jun-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	154	N.T.	154	N.T.	82,000	99%
KS	154-155	N.T.	154-155	N.T.	58,500	93%
NE	155-156	N.T.	155-156	N.T.	75,000	65%
CO*	N.T.	N.T.	N.T.	N.T.	0	0%
CB	N.T.	243	N.T.	243	5,000	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

# Technical Selling, a Technicality

Over the course of 2014, the nearby feeder cattle futures contract has posted an impressive 29 percent price increase. Although this is not the largest rally the market has ever seen, it's among the largest in history. It is also the largest in recent memory. As market participants watch feeder cattle futures reach new contract highs nearly every week, the natural reaction is to want to know when prices will peak. This "fear of heights" weighs heavy in the back of our mind each time prices make a short-term correction. The common main question is "Have we finally reached the top?" Since the start of June, the front month feeder cattle futures have closed lower a total of three times. The two potential reasons for those lower closes are commercial hedgers shorting the market to lock in a price level and technical selling by speculative users.

Technical analysis, or making judgment on the market based on price information alone, can be a useful decision tool. Stochastic oscillators, some of the most commonly followed technical analysis tools, provide an indicator of market momentum and help to signal when

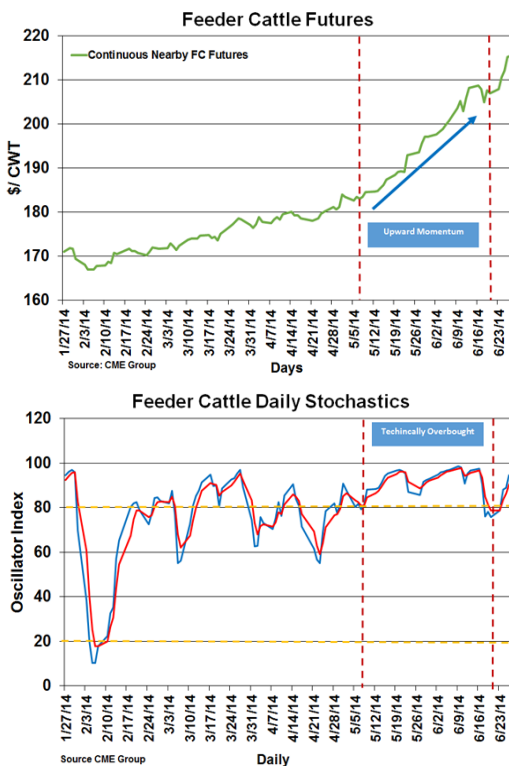
the market is overbought or oversold. A stochastic value over 80 indicates the market has been overbought and is due for a correction. Technically, feeder cattle futures have been overbought for the majority of June. This overbought situation has attracted more speculative traders to the feeder cattle market, increasing the likelihood of short term selloffs. However, technical analysis is only a portion of the decision tree and can be misleading.

The high feeder cattle futures have not been artificially inflated by buyers in the market. Instead, feeder cattle prices reflect a cash-led bull market for fed cattle caused by tighter cattle supply.

So, while technical selling should become more frequent in the feeder cattle market, it is market fundamentals that will continue to drive this market higher.

**Bottom Line:** Various technical indicators are valuable analysis tools, but different indicators can offer very different views on market direction. In the current feeder cattle market, fundamentals are the stronger influence and there is potential for greater upward price movement into late summer and fall. Sellers of feeder cattle, if looking to hedge, are advised to use puts as opposed to selling futures. *Marcus Brix*

## Feeder Cattle Outlook



Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
<b>CENTRAL</b>			<b>STEERS</b>		
KS	150	875	Choice Eng X	200.00	IMM
MT	300	600	Choice Eng X	237.00	OCT
OK	1,100	875	Choice Eng X	202.00	JUL
OK	300	950	Choice Eng X	195.00	JUL
TX	1,400	750	Choice Eng X	209.00	IMM
KS	2100	825	Choice Eng X	208.00	JUL
<b>CENTRAL</b>			<b>HEIFERS</b>		
OK	150	725	Choice Eng X	195.00	IMM
TX	140	700	Choice Eng X	201.00	SEP
KS	140	750	Choice Eng X	193.00	IMM
<b>Live Cattle Imports, Year-to-Date Totals</b>					
<b>Canada</b>		<b>14-Jun-14</b>	<b>14-YTD</b>	<b>13-YTD</b>	
Feeders		3,073	220,878	154,923	
Slaughter		7,661	353,650	375,768	
		21-Jun-14	14-YTD	13-YTD	
<b>Mexico</b>		12,866	499,719	490,544	

## Feeder Cattle Price 27-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		
<b>STEER</b>							<b>STEER</b>							<b>STEER</b>						
9-10	182-186	179-187	184-189	182-188	178-188	181-188	9-10	188-192	187-197	191-195	193-197	191-195	192-196	9-10	171-175	173-177	165-169	169-173	171-175	184-188
8-9	197-202	196-203	194-199	192-198	187-198	191-198	8-9	195-199	200-207	207-211	213-217	200-204	208-212	8-9	187-191	193-197	181-185	185-189	187-191	191-195
7-8	205-210	202-212	206-212	204-211	202-211	203-211	7-8	208-213	211-218	217-221	223-228	210-215	217-222	7-8	196-201	204-209	192-197	195-200	196-201	201-206
6-7	235-242	235-243	231-240	227-239	225-238	226-237	6-7	222-229	225-236	240-247	247-254	228-235	236-246	6-7	211-218	213-220	205-212	207-214	211-218	217-224
5-6	255-265	250-266	236-247	235-247	234-255	235-248	5-6	242-252	244-258	258-268	262-272	243-253	258-268	5-6	225-235	229-235	220-230	222-232	227-237	230-240
4-5	266-278	268-280	252-264	251-265	250-272	250-266	4-5	264-276	263-276	273-285	278-290	268-280	272-284	4-5	240-252	244-256	239-251	240-252	238-240	242-254
<b>HEIFER</b>							<b>HEIFER</b>							<b>HEIFER</b>						
8-9	180-185	179-187	176-181	175-180	175-180	173-181	8-9	178-182	180-187	185-189	194-198	180-184	187-191	8-9	174-178	176-180	168-172	172-176	174-178	180-184
7-8	193-198	189-200	190-196	188-195	185-195	186-195	7-8	192-197	191-197	198-203	202-207	197-202	197-202	7-8	183-188	186-191	178-183	181-186	183-188	189-194
6-7	214-221	211-223	205-214	204-215	199-212	204-216	6-7	206-213	208-216	216-223	219-226	214-221	215-222	6-7	193-200	193-200	188-195	190-197	192-199	194-201
5-6	222-232	218-234	218-229	217-229	216-243	216-230	5-6	216-226	221-231	228-238	230-240	220-230	227-237	5-6	206-216	215-225	201-211	203-213	203-213	213-223
4-5	236-248	237-249	236-248	235-248	234-246	234-249	4-5	230-242	230-245	252-260	258-270	236-248	246-258	4-5	227-235	230-242	221-233	222-234	222-234	223-235
<b>COWS</b>							<b>COWS</b>							<b>COWS</b>						
util	101-111	99-114	102-110	101-110	100-110	101-112	util	103-113	110-120	100-110	107-114	108-116	101-111	util	107-113	98-108	101-111	103-113	103-113	103-109
cn/cut	96-106	95-108	94-102	92-101	92-107	90-104	cn/cut	102-106	102-118	97-103	98-107	95-103	98-104	cn/cut	100-105	94-104	99-105	101-107	91-101	94-99
bulls	120-130	117-134	115-128	113-128	113-133	114-131	bulls	121-131	123-135	118-128	129-139	124-134	120-130	bulls	126-131	118-128	121-128	121-129	122-132	122-127

**West** — Feeder cattle prices were firm to as much as \$5 to \$10 higher with steers realizing the full advance. Calf prices were steady to \$4 higher. Slaughter cow values mostly \$2 to \$3 higher. — *Chad Spearman*

**Central** — Feeder cattle prices were \$2 to \$6 higher. Calf prices were steady to \$6 higher. Slaughter cow values mostly \$2 to \$4 higher with instances of \$8 higher.

— *Chad Spearman*

**Southeast** — Feeder cattle prices were mostly \$2 to \$4 higher. Calf prices were steady to \$4 higher. Slaughter cow values mostly \$3 to \$5. — *Chad Spearman*





## CattleFax

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## Broiler Production Lags Expectations

So far in 2014 U.S. broiler production has continued to run below beginning of the year expectations. Originally, 2014 broiler production was forecast to increase 3.7 percent versus 2013 and the current annual forecast for 2014 compared to 2013 is +1.8 percent. There are several contributing factors as to why broiler production has not met expectations. High corn prices in the last several years has led to lower profitability which has led to an older and less productive breeding flock. This in turn has resulted in a poor chicks hatched percentage relative to egg sets – egg sets year to date are up 1.6 percent while chicks placed are nearly even with a year ago. At the same time U.S. broiler exports are on pace to be record large at 7.5 billion pounds, up 2.4 percent compared to last year. As a result, per capita net broiler supplies are forecast to be up just a half a pound at 82.7 pounds per person.

So what does this mean to a cattle producer? Well consider this; the original combined per capita net supply of pork and broilers for 2014 was forecast to be up 2 pounds per person compared to last year and now it is projected to be down 1 pound per person – that is a big change in total meat supplies. Total per capita net beef, pork and poultry supplies were originally forecast to increase slightly in 2014 and total 201.2 pounds. However, the current pace suggests per capita net meat supplies will be down 4 pounds (-2 percent) versus 2013; there are only 3 other years since 1980 with larger declines, 1982, 2008 and 2009. With the total per capita net meat supply forecast at 197.4 pounds, this would be the smallest since 1991. The fact that the competing meat supply situation has so far been well below expectations is another important contributing factor to the higher cattle and beef prices. *Tod Kalous*

Summary of Activity Sponsored by:



Summary of Activity	This Week 27-Jun-14	Last Week 20-Jun-14	Year Ago 28-Jun-13
<b>CattleFax Data</b>			
Placements	105,418	108,326	113,811
Shipments	144,005	142,763	150,527
Avg In-Weights	712	704	739
USDA Sltr Wgts	1,304	1,304	1,302
USDA Str Carc Wgt*	852	850	853
Days on Feed	N/A	141	147
Carryover Pct	31	31	33
Weekly Supply	400,200	393,700	440,100
Percent Grade Choice & Higher	69.03	67.99	65.43
Prime Grade Pct	3.50	3.39	3.17
Choice Grade Pct	65.53	64.60	62.26
Select Grade Pct	27.01	27.21	30.04
<b>Live Prices (\$/cwt)</b>			
Slaughter Steers	N/A	149.29	120.18
Steer Calf (450#)	266.12	264.46	168.29
Steer Calf (550#)	248.76	247.38	157.75
Yearling Steer (650#)	231.05	227.39	147.76
Yearling Steer (750#)	209.99	206.00	139.80
Yearling Steer (850#)	199.48	196.24	133.45
Utility and Commercial Cows	108.51	104.47	80.37
Canner and Cutter Cows	102.07	98.26	75.76
Lean Hogs	125.14	118.62	100.79
Omaha Corn (\$/bu)	4.37	4.50	7.14
12-City Broiler	112.39	112.50	105.10
Dollar Index	80.11	80.42	82.78
<b>Meat Prices (\$/cwt)</b>			
Certified Angus Beef Cutout (UB)	249.83	245.34	206.77
Choice Cutout	245.01	240.46	197.38
Select Cutout	237.56	233.09	187.62
Choice/Select Price Spread	7.45	7.37	9.76
Cow Cutout	213.46	202.61	158.05
Hide and Offal	15.46	15.56	14.53
Pork Cutout	131.81	128.10	109.65
<b>Slaughter (000 hd) and Meat Production (Mil lbs)</b>			
Cattle	615.0	613.0	654.0
Hogs	1,910.0	1,899.0	2,019.0
Total Red Meat Production	903.1	898.7	933.6
Beef Production	487.0	484.5	514.0
Pork Production	411.5	409.3	414.9
Poultry Production	N/A	759.8	796.0
	<b>CME AVG</b>	<b>6 STATE FED</b>	<b>KS-TX-OK</b>
	<b>FDR PRICE</b>	<b>STR PRICE**</b>	<b>FED STR**</b>
Thu 06/26	N/A	149.33	149.70
Wed 06/25	211.23	149.66	149.70
Tue 06/24	207.93	149.50	149.70
Mon 06/23	207.63	149.50	149.70
Fri 06/20	206.54	149.50	149.70

\* 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)

### F.I. Slaughter Mix (000 head)

Total Sltr	----- Week Ending -----				----- Year To Date -----		
	14-Jun-2014		15-Jun-2013		2014	2013	Pct Chg
	606		645		13857	14619	DN 5.2
	Pct	No	Pct	No			
Steers	54.1	328	53.6	346	7124	7244	DN 1.7
Heifers	27.6	167	25.9	167	3896	4178	DN 6.7
Cows	16.3	99	18.6	120	2591	2953	DN 12.3
Bulls	1.8	11	1.9	12	246	244	UP 0.8