

CattleFax UPDATE

THE
DECIDING
FACTOR

JULY 3, 2014 | ISSUE 27 | VOL. XXXXVI

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Forward Looking

The fed cattle market has surged higher in the last month as prices have moved from \$143-\$144/cwt. to \$158-\$159. Furthermore, the recent move higher in fed cattle prices is even rarer when considering the time of year – prices typically move lower from a spring high to a summer low and then slowly grind higher into the fall. With the impulsive move in the fed market in the last 30 days it appears the market is looking forward to another tight supply situation expected in 2015 and is attempting to find the price level that will ration the tighter supply.

The per capita net beef supply decline in the first half of the year is about 1.4 pounds compared to last year, and for the second half of the year the decline is projected to be another 1 pound. So for the year, supply is expected to be down 2.5 pounds which will largely explain why the cash fed market broke out of the trading range that was capped at roughly \$130/cwt. in the last three years. However, looking into 2015 the per capita supply is projected to be down another 1.5 pounds or more. This is expected to be driven by a decline in fed cattle slaughter of 700,000 head, decline in beef cow slaughter of roughly 400,000 head and dairy cow slaughter down nearly 100,000 head. Beef imports and exports are expected to mostly offset each other next year, which means the supply decline for 2015 is tied to expansion expectations.

The drought forced many producers to liquidate well beyond levels they would have liked to given fairly profitable conditions over the past several years. As a result, now that moisture conditions are in fact improving for many producers, the market appears to be seeing that expansion is finally becoming a reality. With expansion comes a tighter supply in the short-term as heifers are retained and cow slaughter drops, and therefore the market moves higher to ration the smaller supply. Timing is everything, but at this point the momentum of the market suggests the cash is moving higher and will reach a level that will price in the high end of the range, similar to what has happened with other major shifts in supply.

Per capita net beef supplies declined every year from 1976 to 1980, but the market reached its absolute highs in 1979. Supplies, dropped on average from 2000 to 2003 and the price highs came in the fall of 2003. Without BSE, supplies would have been smaller in 2004, but who knows if prices would have been higher. Supplies dropped again from 2006 to 2012 as prices found the high end of the range in early 2012. Supplies continued to drop in 2013, 2014 and are projected to again in 2015, and prices are moving higher once again to ration the expected tighter supply.

Bottom Line: The markets' expectations of expansion are driving the market higher now and this trend will continue until the market becomes extreme. Based on the cash fed price chart, one could argue that the next level of resistance is near \$165/cwt. However, given how far down supplies have declined due to the drought, only the market knows how high is extreme enough.

Michael Murphy

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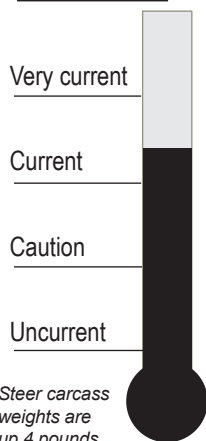
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Market Highlights

The fed cattle market was \$3 to \$4 higher this week as the bulk of the sales in the South were collected at \$158, while trade in the North ranged from \$158 to \$159 live and \$248 to \$250 dressed. Boxed beef was modestly higher for the week, as asking prices moved higher in response to the higher fed cattle values noted over the past couple of weeks. Feeder cattle prices were \$6 to \$10 higher for the week, while calves were \$4 to \$10 higher this week. Slaughter cows were \$2 to \$6 higher. Profitability at the feedlot level as well as limited offerings of cattle of all weights continues to drive replacement prices to all-time highs. Corn prices moved lower this week as weather conditions remain good through most of the country and a USDA report that was bearish for soybeans spilled over into the corn pit.

Currentness



Steer carcass weights are up 4 pounds at 856 and are 2 pounds above last year.

CattleFax

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Finding a New Price Range

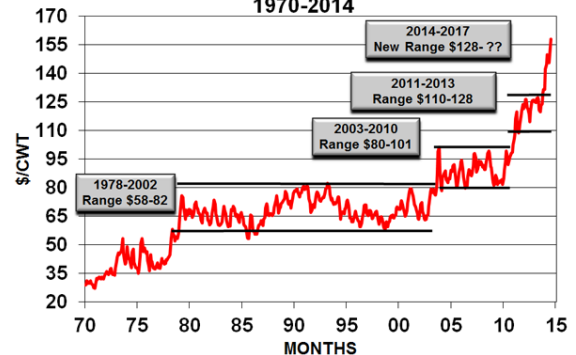
Smaller inventory numbers resulting in smaller per capita beef supplies coupled with strong domestic and global demand have finally come home to roost and resulted in sharply higher prices. This is resulting in all cattle markets moving into a new and higher price range. This is not the first time this has happened. From 1978 to 1979 the market advanced from \$35 to \$80/cwt., fueled by expansion and inflation. The market then was in a trading range from \$58 to \$82/cwt. from 1980 to 2003. In 2003, the market broke out of that 25 year trading range and advanced by \$30/cwt. up to \$110.

The recent rally has been spurred by significantly improving moisture conditions that are accelerating expansion. Remember, per capita supplies are down about 2.5 lbs. this year and per capita supplies could easily decline another 1.5 pounds or more in 2015 as expansion unfolds. Remember, the markets job is to ration that smaller supply and it takes higher prices to ration the smaller quantity especially in this environment of strong beef demand. The high end of the new price range has yet to found and quite honestly no one knows where it will stop. Attempting to 'pick' tops in this environment will be difficult. The markets today are affording cattlemen the opportunity to begin to lock in profit margins that have only occurred 1 percent of the time in the past 35 years, so

Fed-Cattle Outlook

locking in at least a portion of these profits may make sense. The volatility that we will see in the market over the next 30 to 90 days will be extreme, so be prepared. Remember, bet not thy whole wad! *Randy Blach*

CattleFax Fed Steer Price 1970-2014



Projected Fed-Cattle Marketings (000 Head) 04-Jul-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
JUL	812	394	1206	912	28	4.4	144	90
AUG	771	355	1125	839	29	4.2	139	95
SEP	745	343	1088	834	27	4.2	138	93
OCT	702	308	1011	796	25	4.6	121	93
NOV	744	265	1010	700	34	3.8	128	99
DEC	746	360	1106	836	28	4.4	132	95

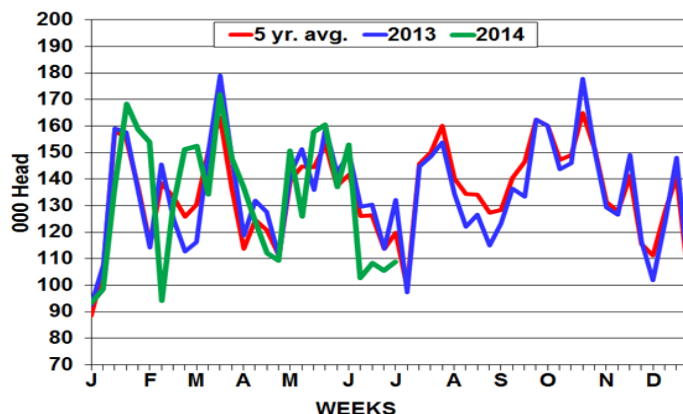
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2013	652	538	568	541	614	598	705	2012	658	533	558	533
2014	605	534	553	589	586	626	106	2013	641	592	597	516
Weekly Averages (000 hd)												
2013	148	128	135	123	139	150	160	2012	143	140	121	127
2014	137	133	132	134	139	149	176	2013	146	148	130	129
14%13	93	104	98	109	100	99	110	13%12	102	106	107	102
14%5Yr	101	96	103	105	99	101	115	13%5Yr	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	599	2012	702	527	605	535
2014	605	529	635	542	643	494	84	2013	576	576	702	576
Weekly Averages (000 hd)												
2013	131	120	146	121	156	131	136	2012	153	151	131	127
2014	138	132	151	123	153	118	140	2013	131	144	153	144
14%13	105	110	103	102	98	90	103	13%12	86	95	117	113
14%5Yr	107	99	108	107	102	97	74	13%5Yr	86	89	99	105

CattleFax Placements



Contract and Formula Cattle 04-Jul-2014

	Scheduled in July	Shipped in July	Scheduled in August	Scheduled in September
Kansas	215,000	67,500	215,000	200,000
Texas	310,000	45,000	310,000	290,000
Colorado	80,000	16,000	80,000	75,000
Nebraska	200,000	47,500	200,000	170,000
Totals	805,000	176,000	805,000	735,000

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

Fed Cattle Prices 04-Jul-2014

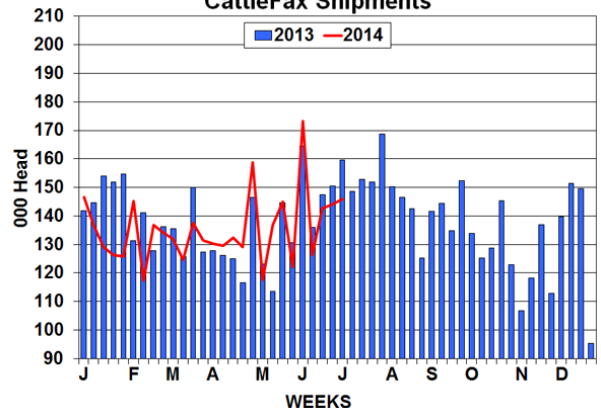
	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	158	N.T.	158	N.T.	69,500	98%
KS	157-158	254.50	157-158	254.50	58,000	83%
NE	158-159	249-250	158-159	249-250	90,000	60%
CO*	158-159	N.T.	158-159	N.T.	25,000	89%
CB	157-159	248-250	157-159	248-250	30,000	0%
PNW*	N.T.	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

Live Cattle Imports, Year-to-Date Totals

	21-Jun-14	14-YTD	13-YTD
Canada			
Feeders	3,895	224,773	157,398
Slaughter	12,928	366,544	388,941
	28-Jun-14	14-YTD	13-YTD
Mexico	24,485	524,204	498,095

CattleFax Shipments



CattleFax Supply & Beef Production Outlook

Inventory
Analysis

Shipments

- Shipments by CattleFax member feedyards in June averaged 149,000 head per week, which was down 1 percent compared to last year, but up 1 percent versus the 5-year average. June shipments were above beginning of the month expectations. Shipments remain adequate to keep the carryover manageable.

Placements

- Total CattleFax placements in June were down 6 percent versus a year ago and the 5-year average. Total placements in the first six months of the year are now just even with last year, and down 3 percent versus the 5-year average. Placements are still expected to be smaller than a year ago going forward given the tighter available supply.

Carryover

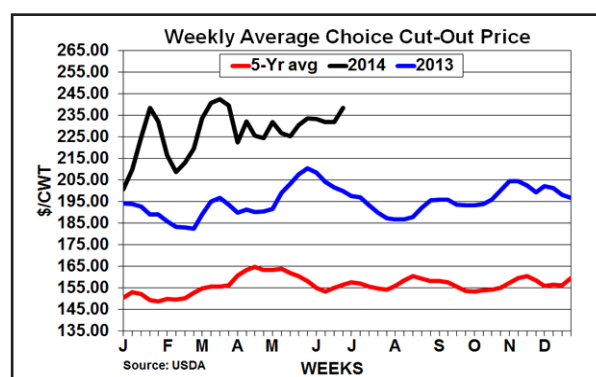
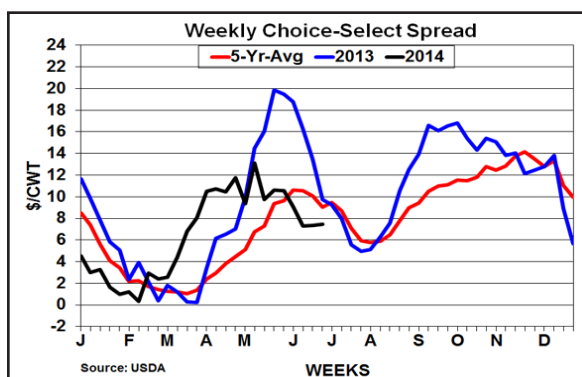
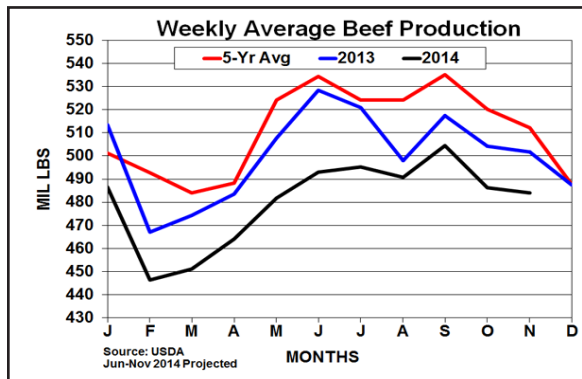
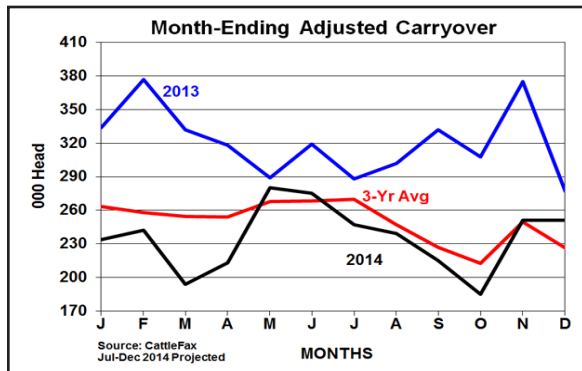
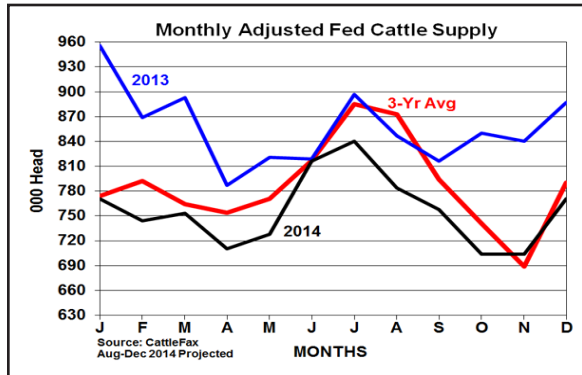
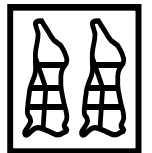
- Carryover from June was 31 percent, which was lower from May and 4 percentage points below last year. Strong shipments have kept the carryover in check and as a result feedyards remain current in their marketings. The carryover will remain very manageable in the third quarter if shipment expectations are met.

CattleFax Fed Supply

- The July fed supply is 6 percent lower than last year and 2 percent below the 5-year average. Supplies are seasonally at or near their peak now in July and will move lower in August and September, remaining below a year ago through the third quarter. Smaller placed against supplies into the fourth quarter currently suggest even tighter available fed supplies are on the horizon through the end of the year.

Slaughter and Production

- Weekly average fed slaughter in June was down 5 percent versus a year ago. Cow and bull slaughter was down 16 percent versus 2013 on a weekly average basis and the smallest June average since 2005. Second quarter beef production was down 5.2 percent versus last year, the smallest Q2 since 1994. Third quarter is forecast down 4 percent. Second quarter per capita net beef supply is estimated down 3.7 percent and third quarter forecast down 3-4 percent, both the smallest totals in over 25 years. *Tod Kalous*

Beef
Complex

Into the Teeth of Summer

Choice boxed beef cut-out values were quoted \$2.65 higher this week while Selects gained \$2.56 for the same period. Volumes were light this week as many buyers did a little fill-in work early in the week, then left the office for an extended holiday break.

Production will ramp back up now that the 4th of July holiday is over and we are entering a time when the weather heats up and many vacations are taking place, both of which changes and slows consumers' eating

patterns. Still, overall protein demand is strong so while the higher beef price trend may take a break; the downside risk may be limited as well due to stronger than expected beef demand.

Next Week: Fill-in business coming out of the holiday will likely keep prices firm early in the week; price risk exists late as buyers elect to move strictly to a hand-to-mouth mode of purchasing. Choice boxes are anticipated to trade between \$245 and \$249, Selects from \$237 to \$241. *Duane Leng*

Acreage and Corn Stocks

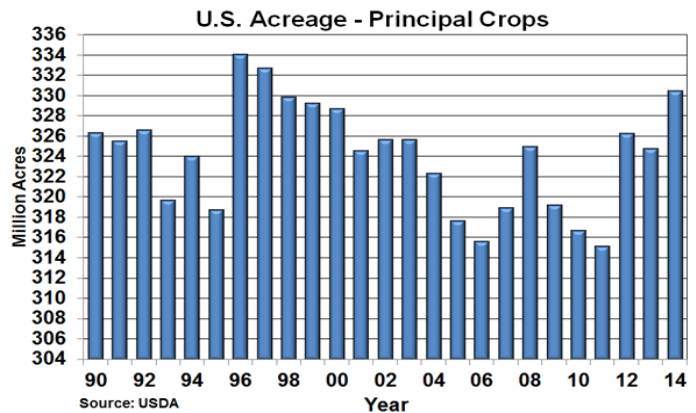
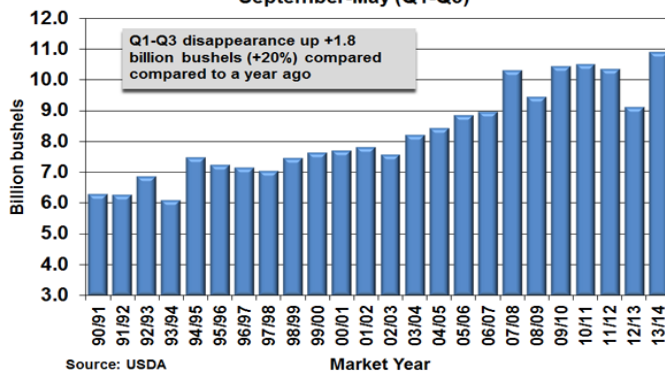
The USDA released the June Acreage and quarterly Grain Stocks reports this week. The Acreage report indicated shockingly-higher soybean acreage and only a slight decline for corn. The Grain Stocks report pegged stocks on June 1, 2014 above pre-report trade estimates for corn and soybeans.

U.S. principal crop acreage totaled 330.5 million acres, rising to the highest level since 1997 and increasing 5.7 million acres compared to 2013. Principal crop acreage includes corn, sorghum, oats, barley, winter wheat, rye, durum wheat, other spring wheat, rice, soybeans, peanuts, sunflower, cotton, dry edible beans, potatoes, canola, proso millet, and sugarbeets. Harvested acreage is used for all hay, tobacco, and sugarcane in computing total area planted. Principal crop acreage has grown sharply since the low in 2006 amid record high grain/oilseed prices and declining acreage enrolled in CRP (Conservation Reserve Program), which declined from a high of 36.8 million acres in September 2007 to 26.8 million acres in September 2013.

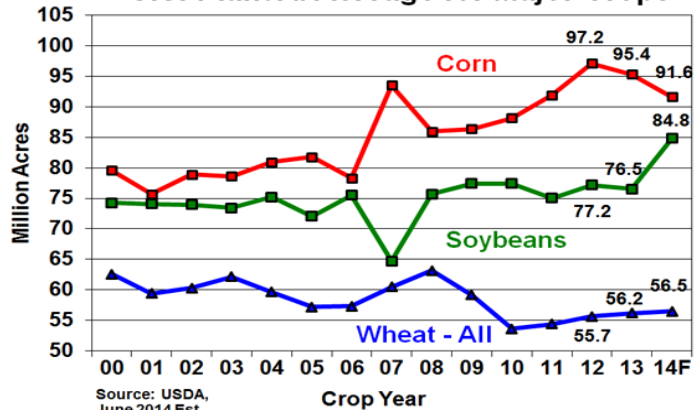
The largest surprise in the acreage report was soybean planted acreage, which was estimated at a record large 84.8 million acres, rising 3.3 million acres from the Prospective Plantings estimate in March and rising 8.3 million acres compared to 2013. Over six of the past seven years U.S. soybean stocks to use levels have ranged from a historically low 3.7-5.4 percent. For the 2014/15 market year, however, expectations are for stocks to use levels to push above the 9-10 percent range.

Corn and wheat planted acreage were less eventful with corn acreage revised 50,000 acres lower from the March estimate to 91.6 million and all wheat acres increasing 659,000 acres to 56.5 million.

Quarterly U.S. Corn Disappearance
September-May (Q1-Q3)



U.S. Planted Acreage for Major Crops



The Grain Stocks report pegged U.S. corn stocks at 3.85 billion bushels as of June 1, 2014, which was at the high end of expectations and suggests corn feed & residual usage should be viewed as steady at best near-term and likely lower from the USDA's projection of 5.3 billion bushels for the 2013/14 market year. Total corn disappearance for the first three quarters of the market year (September 2013-May 2014) is estimated at a record large 10.9 billion bushels, rising 1.8 billion compared to the year prior (+20 percent).

Bottom Line: This week's reports suggest the new crop corn and soybean balance sheets are likely to loosen further. With corn acreage remaining nearly unchanged, U.S. new crop corn stocks to use levels are expected to rise to the 13-14.5 percent range - suggesting downside risk to the \$3.75-\$4.00/bu. range for December 2014 futures.

Chad Spearman

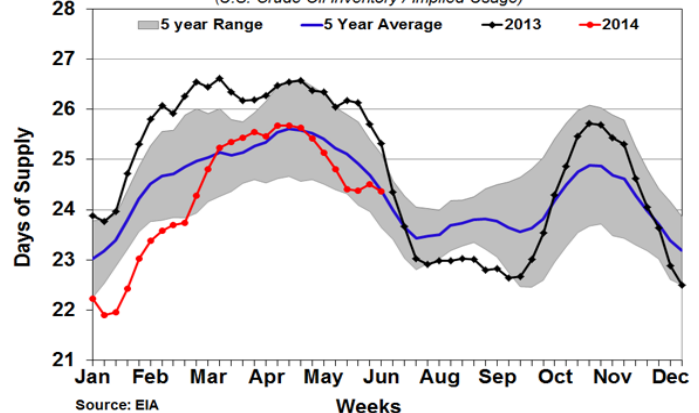
U.S. Crude Oil - Production Up, Stocks Stable

A point often repeated here at CattleFax is that since 2011 the United States has been a net exporter of petroleum products. An increase in production efficiency and development of new extraction technologies has allowed the U.S. to reach production volumes not seen since the late 1980s. According to the U.S. Department of Energy, domestic crude oil production volume is up 15 percent year to date. The most recent weekly data pegged production at 8.44 million barrels per day, compared to 7.27 million bpd for this week last year. The largest year-over-year gains have occurred in the Gulf Coast energy district (PADD 3), mostly due to the ongoing oil boom in Texas. Oil production in the state was up 24 percent during the month of April. Increased production has done some to offset our import needs. Crude oil imports are down roughly 6 percent year to date, and are close to their lowest level in 17 years.

Despite the production gains, crude oil supply and demand fundamentals have not been thrown out of balance. After being tighter than normal in the front months of the year, the U.S. crude oil stocks to use ratio has corrected to almost exactly the 5-year average. Crude oil usage tends to reach a summer peak in July.

U.S. Crude Oil STOCKS TO USE

(U.S. Crude Oil Inventory / Implied Usage)



Correspondingly, supplies are typically at their tightest during the late summer months. Currently there is no reason to believe production and usage won't remain above previous year levels, and continue their seasonal patterns into the fall. *Marcus Brax*



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Extended Weather Outlook

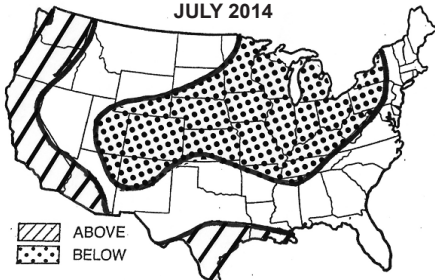
Extended Range Outlook July through September 2014

Prepared by Dr. Art Douglas, Creighton University, Omaha, Nebraska

El Nino conditions along the equator have grown since last month and the SSTs off Peru and Ecuador are the warmest since the Mega El Nino in 1997. Confidence is high that the upcoming fall and winter will be dominated by a moderate to strong El Nino with strong impacts on U.S. weather. In the short term the El Nino will favor a ridge of high pressure in the West and a trough in the Great Lakes through August. The western ridge of high pressure is likely to move into the western corn belt in September

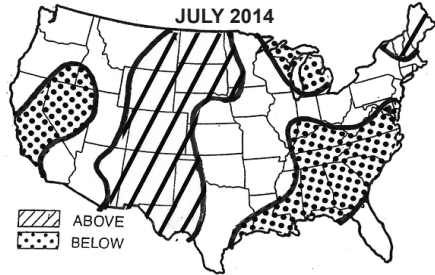
TEMPERATURE OUTLOOK

JULY 2014



PRECIPITATION OUTLOOK

JULY 2014



with warmer than normal temperatures and slightly below normal precipitation. Overall, Midwest crops will continue to be behind schedule due to late planting and the cool spring, but September is likely to help speed up final crop progress.

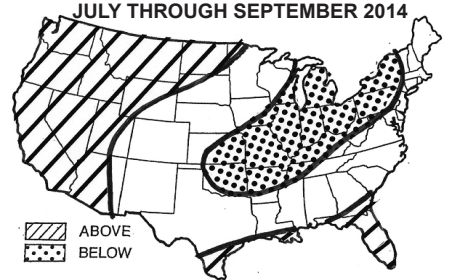
July and August should be dominated by warm temperatures in the Far West with below normal temperatures from the east central Rockies into the Corn Belt. From south Texas to Florida, warm temperatures should persist for the remainder of the summer. By September the northwest half of the corn belt should experience temperatures 2-3F warmer than normal with normal temperatures farther east and south. A narrow band of monsoon moisture is forecast to impact the area from New Mexico north into southern Montana and adjacent areas of the northern High Plains. This should favor a long grazing season in this region. A broad area of below normal precipitation is forecast to the Southeast and Tennessee Valley in July and August, but this region should turn much wetter by September and October.

With a broad ridge in the Far West, temperatures in this region over the next three months will run up to 2F above normal with precipitation less than 75% of normal from central California into Nevada and southern Idaho. The far northern Rockies will have near normal rainfall through the remainder

of the summer before turning much drier in September. The Mexican monsoon has just now entered the Southwest and models indicate that the next two weeks should be very active in eastern Arizona and much of New Mexico. With very warm waters off Baja, late summer tropical storms moving up the west coast of Mexico have a chance to move farther north than normal with areas of heavy rain. The Atlantic hurricane season is likely to be far less active than normal with storms moving up the East Coast.

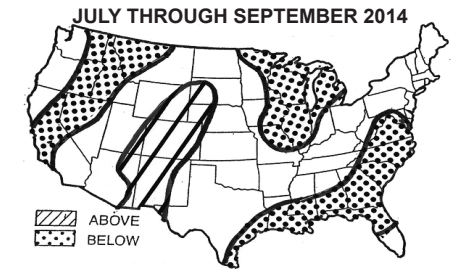
TEMPERATURE OUTLOOK

JULY THROUGH SEPTEMBER 2014



PRECIPITATION OUTLOOK

JULY THROUGH SEPTEMBER 2014

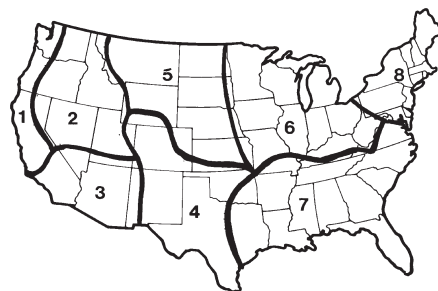


Region 1. High pressure ridging and warm coastal waters will keep this region warmer than normal for the next three months with seasonally light rainfall. Probable departures: temperatures to +1 to +2F; precipitation normal north to less than 75% south half.

Region 2. High pressure ridging will keep the far western area warmer than normal with September likely to run +3F above normal. The far eastern quarter of the region is likely to have periodic monsoon rains with temperatures slightly below normal. Probable departures: temperatures to +3F by September; precipitation less than 75% northwest half to 120% far east.

Region 3. A warm three month period is forecast for much of the region with the far west remaining dry until the tropical storm season improves rain chances. The monsoon will be slightly east of normal in New Mexico. Probable departures: temperatures to +2F west normal far east; precipitation 75% far northwest to 120% far eastern border.

Region 4. The spring rainy season is now ending El Nino induced warming and drying is likely to impact far south Texas. Farther



west a good feed of monsoon moisture will keep the high plains wetter than normal from New Mexico into Colorado. Probable departures: temperatures to -2F far north to +2F far south; precipitation to 130% western third to 80% far south Texas.

Region 5. A persistent trough in the Great Lakes will favor fronts dropping south into the plains with the main areas of above normal rainfall being to the west where the fronts intercept monsoon moisture. Probable departures: temperatures normal far northwest third to -1F eastern border through August then warming all areas in September to +3F; precipitation to 120% central areas with some drying to 80% in the far northwest by August and September.

Region 6. An unstable weather pattern

is forecast through August. Far western sections should have normal to above normal rainfall through August. A dry September is forecast for most sections. Central areas will have spotty moisture in July before turning wetter in August. Probable departures: temperatures to -1F to locally -2F wet areas through August then warming to +3F September; precipitation to 110% far west to 80-90% central areas with September averaging <75% normal.

Region 7. Tropical storm influences should be at a minimum this summer with the coast warm and dry. By September and October the subtropical jet stream should intensify and precipitation will rise to above normal levels. Probable departures: temperatures to +1 coastal areas to -1F far north; precipitation less than 80% normal for the remainder of the summer, then wetter early fall.

Region 8. Southern sections will have a dry summer while the interior Northeast will be cooler than normal. Tropical storms should track northeast and primarily off shore due to a weak Bermuda high. Probable departures: temperatures to -1F interior northeast; precipitation less than 80% normal far south to locally 110% far north.

Low Supply, High Demand

**Slaughter
Cow
Update**

Drought relief has stopped cow herd liquidation. As a result, supplies of ground beef and trim have become depleted in a timeframe when demand is very high, not only domestically but globally. Total cow and bull slaughter is down 11.5 percent year-to-date (380,000 head). Beef cow slaughter is down 14 percent (205,000 head), and dairy cow slaughter down 11 percent (158,000 head). The magnitude of the decline continues to exacerbate and build upon itself by supporting domestic cull cow values while needing to increase imports to make up for the supply deficit.

With the added decline in steer and heifer slaughter and ultimately beef production, which is down nearly 5 percent, it shorts the market of available product domestically and globally. Thus the reason prices of all cattle have skyrocketed. The lack of supply is here to stay and should provide excellent support for Utility cull cow values near \$100/cwt even going into the fall. Demand for end meats in the steer and heifer slaughter mix will remain a key component to cull values going forward, as it will determine how many of those cuts go into the grinding mix. If demand remains high for end meats, cull cow values could increase going into the fall, which historically is nearly unheard of. *Troy Applehans*

Female Values Higher

**Females
Update**

With expansion underway and prices for all weights and classes of cattle moving to levels never before seen in history, it is apparent that female values are moving in tandem with those other classes. Even though female markets are in a timeframe of the year where trade is typically slow, inquiry and demand for availability is evident. Bred female and 3-in-1 availability is becoming more prevalent and asking prices are increasing.

The pairs or 3-in-1 market is garnering more attention. Values in the Central Plains are primarily from \$2,500 to on top of \$3,000 and are rising. 3-in-1's will begin to dominate the market in the coming months and are expected to be able to fetch on top of \$3,500.

Fall bred heifer values are predominantly priced from \$2,500 to \$2,750 with a few recent sales approaching \$3,000 on some top notch females. Spring calving bred heifers are also entering the marketplace and commanding anywhere from \$2,250 to \$2,600, with owners feeling they will only increase in value by this fall. Open, true replacement quality heifers will fetch more than their steer mates at the same weight. *Troy Applehans*

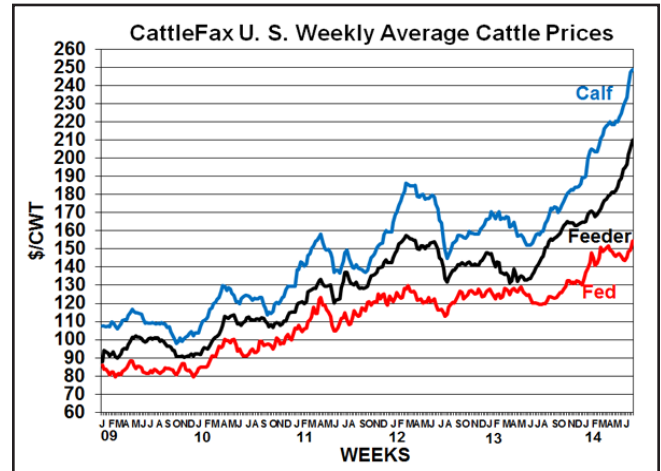
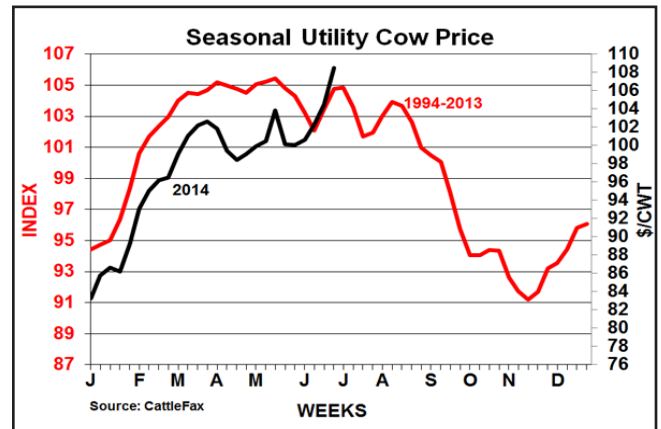
Placements & Marketings Drop

**Cattle-
on-Feed
Estimate**

Cattle-on-feed is estimated to be down 2 percent versus a year ago. Marketings are expected to be down 2 percent compared to a year ago. Placements are forecasted to be down 5 percent compared to last year.

U.S. Cattle-on-Feed July 1, 2014 (000) head 1,000+ capacities				
	Average 2009-2013	2013	2014	% year ago
COF June 1	10730	10767	10594	98
Placed	1586	1551	1475	95
Marketed	1985	1880	1835	98
Other Dis.	63	63	63	100
COF July 1	10268	1037	10171	98.0

There were 4.2 marketing weeks this year versus 4.1 last year. Federally inspected steer and heifer slaughter is projected to be down 3 percent compared to a year ago. The Cattle-On-Feed population is on track with the seasonal and should find its low on August 1. The total population is expected to be down compared to last year into the fall. *Michael Murphy*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fed steers												
2013	125.23	124.94	126.74	127.51	125.97	120.89	119.75	123.15	124.09	129.58	131.50	131.72
2014	142.36	144.79	150.08	147.46	145.25	149.48						
750-lb steers												
2013	144.17	138.10	133.88	135.60	133.96	136.63	145.14	153.91	157.09	163.45	163.58	164.43
2014	168.98	169.97	177.09	181.75	191.33	203.68						
650-lb steers												
2013	153.01	149.72	147.24	147.61	143.99	145.11	150.97	160.39	162.73	167.73	170.13	172.17
2014	180.23	185.57	195.03	201.11	210.25	224.43						
550-lb steers												
2013	166.52	165.86	163.28	160.23	154.52	154.54	159.93	169.61	171.96	178.30	183.25	187.24
2014	200.65	206.29	216.31	219.48	226.66	242.46						
450-lb steers												
2013	183.89	183.92	179.02	175.61	167.45	166.52	174.31	184.98	189.14	198.07	206.46	211.55
2014	222.80	228.51	237.15	240.16	244.71	261.36						
Utility Cows												
2013	76.48	79.55	80.71	78.14	77.73	77.83	80.11	83.37	81.80	78.86	79.83	82.32
2014	86.25	95.19	101.24	99.73	101.13	103.97						

Average Prices Jun, 2014

	Western	Midwest	Northwest	Southeast
Bred Cows	1600-2125	2000-2500	1525-2075	2000-2500
Bred Heifers	1725-2300	2000-2600	1650-2150	2000-2600
Pairs	1950-2500	2500-3100	1850-2400	2500-3100

Holstein Market 03-Jul-2014

	CA/AZ	TX/KS	ID/UT	CO/NE	Midwest
Live	150-151	NT	NT	NT	NT
Dressed	NT	NT	NT	NT	NT
Calves/feeders (\$/cwt)					
325 lbs.	260-270	NT	246-256	NT	NT
400-500 lbs. del.	NT	NT	216-226	NT	NT
800 lbs. del.	NT	NT	142-147	NT	NT
Day-old f.o.b. (\$/hd)	350-380	NT	345-375	NT	NT

Calf Price Expectations from Video Auctions

Early summer video auction markets have performed similarly to the cash market, exceptional demand and tighter supplies have created exceptionally high prices in recent weeks. In the absence of a calf futures market, forward contract video and internet sales still provide one of the best indicators of what cow-calf producers can expect from the calf market this fall.

Bullishness in this year's calf market has made seasonal interpretations misleading. During the last 10 years, the U.S. average 550-lb. steer cash price on the Fourth of July is about 2.5 percent higher than the average October/November price. The U.S. average price for 550-lb. steers this week will likely be around \$253/cwt. That suggests an average fall price around \$246/cwt. The problem is that by early July a typical seasonal would have already priced in nearly half of a normal seasonal break (6 percent) from the annual highs, normally in early April. With this week's market still trending higher, the question becomes, "What is a reasonable price break into the fall from a summer calf market high?"

Feeder Cattle and Calves: Representative Direct Sales					
Area	#Hd	Wt.	Breed Type	Price	Del.
CENTRAL/WEST			STEERS		
NE	250	850	Choice Eng X	216.50	AUG
KS	500	875	Choice Eng X	217.50	AUG
WY	450	850	Choice Eng X	219.50	SEP
WY	450	930	Choice Eng X	212.00	SEP
NE	300	935	Choice Eng X	215.00	SEP
NE	600	985	Choice Eng X	215.50	SEP
CO	100	465	Choice Eng X	296.00	OCT
WY	200	530	Choice Eng X	274.00	OCT
CO	200	550	Choice Eng X	266.00	OCT
CO	250	620	Choice Eng X	250.00	OCT
OK	1,550	825	Choice Eng X	212.00	JUL
OK	3300	860	Choice Eng X	208.35	JUL
CENTRAL/WEST			HEIFERS		
WY	200	840	Choice Eng X	209.00	SEP
SD	800	850	Choice Eng X	215.50	AUG
WY	450	835	Choice Eng X	216.00	SEP
NE	400	910	Choice Eng X	211.00	SEP
CO	200	480	Choice Eng X	264.00	OCT
OK	150	815	Choice Eng X	200.75	JUL
OK	500	825	Choice Eng X	200.60	SEP

Feeder Cattle Prices 04-Jul-2014

West & Northwest							Central							Southeast																																				
				WA/OR																																														
				CO	MT/WY	CA	NV/UT	AZ/NM	ID					TX	KS/MO	ND/SD	NE	OK	IA																															
				STEER							STEER							STEER																																
9-10	208-212						205-212		192-197		190-196		186-196		189-196		9-10	194-198						198-203		206-210		209-213		197-201		208-212		9-10	184-188						185-189		180-184		184-188		185-189		196-200	
8-9	213-217						211-217		200-205		199-205		196-204		199-206		8-9	200-204						205-209		214-218		215-219		203-207		213-217		8-9	197-201						202-206		192-196		196-200		197-201		205-209	
7-8	217-222						215-223		214-220		213-219		208-219		212-220		7-8	211-216						218-223		217-222		229-234		216-221		220-225		7-8	201-206						209-214		198-203		201-206		201-206		215-220	
6-7	240-247						238-247		235-244		231-243		228-242		230-241		6-7	228-235						237-244		242-249		253-260		237-244		245-250		6-7	213-220						223-230		208-215		210-217		210-217		223-230	
5-6	260-270						257-270		243-254		240-253		241-258		239-252		5-6	255-265						255-267		265-275		280-290		265-275		270-280		5-6	229-239						236-246		228-238		230-240		230-240		236-246	
4-5	278-290						276-290		257-269		256-269		255-282		254-270		4-5	270-282						266-279		283-295		298-310		293-305		296-308		4-5	258-270						263-275		250-262		252-264		253-265		248-260	
				HEIFER							HEIFER							HEIFER																																
8-9	208-212						206-212		185-190		184-189		178-189		182-190		8-9	186-190						186-194		208-212		208-212		190-194		208-212		8-9	185-189						187-191		180-184		184-188		185-189		188-192	
7-8	211-216						209-216		200-206		197-205		190-205		195-204		7-8	196-201						201-206		210-215		215-220		199-204		212-217		7-8	192-197						195-200		189-194		192-197		192-197		197-202	
6-7	218-225						216-225		213-222		212-223		208-220		212-224		6-7	216-223						211-225		220-227		227-234		219-226		222-229		6-7	198-205						202-209		191-198		193-200		194-201		208-215	
5-6	228-238						226-238		224-235		223-235		222-233		222-236		5-6	227-237						224-236		232-242		245-255		227-237		230-240		5-6	210-220						220-230		205-215		207-217		207-217		217-227	
4-5	248-260						246-260		240-252		239-252		238-252		238-253		4-5	246-258						240-257		252-264		276-288		247-259		273-285		4-5	234-246						238-250		228-240		230-242		230-242		228-240	
				COWS							COWS							COWS																																
util	107-117						106-118		102-110		101-110		100-112		101-112		util	105-115						110-120		108-118		110-119		110-117		109-119		util	105-115						100-110		103-113		104-114		104-114		103-109	
cn/cut	99-109						98-109		94-102		92-101		92-108		90-104		cn/cut	102-110						103-111		100-110		103-111		102-110		101-110		cn/cut	100-107						95-105		98-105		99-106		91-101		94-99	
bulls	124-134						115-134		115-129		113-128		113-133		114-131		bulls	126-136						126-136		118-128		137-147		130-136		125-135		bulls	125-131						118-128		122-128		123-130		122-132		122-127	
				West — Feeder cattle prices were \$6 to \$10 higher. Calf prices were \$4 to \$10 higher. Slaughter cow values mostly \$2 to \$6 higher. Chad Spearmans										Central — Feeder cattle prices were \$5 to \$6 higher for the week. Calves were \$5 to \$15 higher. Market cows were \$1 to \$2 higher. — Troy Applehans										Southeast — Feeder cattle prices were \$2 to \$5 higher for the week. Calf values were \$4 to \$10 higher. Market cows were steady to \$2 higher. — Troy Applehans																										

Feeder Cattle Outlook

Video Auction Market Results* May to June 2014

550-lb. Unweaned Steers				
State	Head	Wtd. Avg. Wt.	Wtd. Avg. Price	550-lb. Price
CO	1678	546	\$237.09	\$236.78
ID	1620	552	\$225.30	\$225.48
KS	456	550	\$247.87	\$247.89
MT	3867	546	\$240.69	\$240.38
SD	679	543	\$243.56	\$242.99
UT	650	545	\$228.58	\$228.20

650-lb. Unweaned Steers				
State	Head	Wtd. Avg. Wt.	Wtd. Avg. Price	650-lb. Price
CO	701	634	\$220.50	\$219.56
ID	1251	624	\$212.16	\$210.59
KS	497	632	\$226.55	\$225.44
MT	8091	647	\$221.45	\$221.27
SD	883	613	\$228.04	\$225.83
UT	918	638	\$211.28	\$210.57

*All sales are for October to November delivery

May and June video auction markets—on average – have priced October/November delivery 550-lb. non-weaned steers at \$236/cwt. That represents a 5 to 7 percent break from current prices to the October to November average, which suggests a price break similar to the full seasonal decline from the spring highs to fall lows. However, the earliest sales in this sample would not have experienced the entire rally in deferred feeder cattle futures or the complete break in new crop corn futures. Both of those trends have been more supportive to the calf market. Also, prospects for cowherd expansion have continued to improve, which should support heifer calf values. Fall delivered 550-lb. heifers on video auction are currently at a 7.5 percent discount to steers (\$17.50/cwt.). That spread should narrow as demand for herd replacements increases.

Bottom Line: The table highlights the weighted average price by state for those areas that have sold more than 350 head during the May to June video auction markets. A more bullish scenario exists today compared to early summer. So, it is logical to assume late summer video auctions will command higher prices than contemporaries sold before the Fourth of July.

Lance Zimmerman

Feeder Cattle Prices Sponsored by:

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Summer Hog and Pork Update

Lean hog futures reached new spot contract highs on Monday at \$133.60/cwt. in response to pig crop and market hog numbers in the quarterly USDA Hogs and Pig Report released last Friday that came in at the low end of analyst expectations (down around 3 percent compared to 2013). However, the price response in the hog and pig market up this point has been more about demand, and the anticipation of tighter year-over-year supplies rather than current shortages.

Year-to-date weekly average U.S. commercial pork production is only down 730,000 pounds per week (0.2 percent), and weekly average production in May was actually 620,000 pounds per week higher than last year. Steady supplies and higher prices show demand is a major factor in 2014 prices. U.S. wholesale pork demand through May is up 16 percent compared to last year. Another demand contributor has been U.S. pork exports. Through April, exports have increased 10 percent and reduced year-to-date U.S. per capita net supplies by 6.5 percent. To understand how this is affecting pork demand, look no further than the pork cutout. In recent years, pork bellies carried cutout values as interest in bacon soared. Today, bellies are the only pork primal priced below year-ago levels, while ham primal values are adding more than \$10/cwt. to the pork cutout as global customers bid more of this cut away from U.S. destinations.

Pork supply shortages related to porcine epidemic diarrhea virus (PEDv) are not expected to reach fruition until late summer. Year-to-date market hog slaughter declines of 3.8 percent have been largely offset by a 7 lb. carcass weight increase compared to 2013 over the same time. Even with weights in May increasing 9.6 lbs. compared to last year, carcass weights should not keep pace with PEDv losses later this summer. Pork production typically reaches seasonal lows in July. PEDv losses may extend those lows throughout the third quarter, but shortfalls could fade by year end. Regardless, U.S. consumers will be looking to fill a void in protein supplies in the third quarter, and this should continue to underpin beef and cattle prices through late summer and fall.

Lance Zimmerman

F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
	21-Jun-2014		22-Jun-2013		2014	2013	Pct Chg
Total Sltr	614		660		14470	15278	DN 5.3
	Pct	No	Pct	No			
Steers	55.0	338	53.5	353	7461	7596	DN 1.8
Heifers	27.4	168	26.8	177	4064	4355	DN 6.7
Cows	15.8	97	18.0	119	2688	3072	DN 12.5
Bulls	1.8	11	1.7	11	256	255	UP 0.4

Summary of Activity Sponsored by:



FULL VALUE BEEF™

Summary of Activity	This Week 04-Jul-14	Last Week 27-Jun-14	Year Ago 03-Jul-13
CattleFax Data			
Placements	108,672	105,418	132,157
Shipments	146,045	144,005	159,575
Avg In-Weights	711	712	724
USDA Sltr Wgts	N/A	1,304	1,302
USDA Str Carc Wgt*	856	852	854
Days on Feed	142	146	152
Carryover Pct	30	31	32
Weekly Supply	403,600	400,200	450,400
Percent Grade Choice & Higher	68.31	69.03	65.36
Prime Grade Pct	3.59	3.50	3.01
Choice Grade Pct	64.72	65.53	62.35
Select Grade Pct	26.81	27.01	29.58
Live Prices (\$/cwt)			
Slaughter Steers	158.20	154.42	119.96
Steer Calf (450#)	277.83	266.12	169.33
Steer Calf (550#)	258.22	248.76	158.42
Yearling Steer (650#)	236.65	231.05	148.99
Yearling Steer (750#)	216.85	209.99	141.51
Yearling Steer (850#)	207.35	199.48	135.47
Utility and Commercial Cows	111.05	108.51	80.72
Canner and Cutter Cows	103.50	102.07	76.13
Lean Hogs	N/A	125.14	100.77
Omaha Corn (\$/bu)	N/A	4.37	6.74
12-City Broiler	N/A	112.39	103.68
Dollar Index	80.22	80.11	84.41
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	N/A	249.83	204.10
Choice Cutout	N/A	245.01	197.73
Select Cutout	N/A	237.56	188.47
Choice/Select Price Spread	N/A	7.45	9.26
Cow Cutout	N/A	213.46	158.71
Hide and Offal	N/A	15.46	14.59
Pork Cutout	N/A	131.81	106.11
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	N/A	615.0	556.0
Hogs	N/A	1,910.0	1,783.0
Total Red Meat Production	N/A	903.1	812.7
Beef Production	N/A	487.0	441.7
Pork Production	N/A	411.5	366.8
Poultry Production	N/A	.0	665.2
	CME AVG	6 STATE FED	KS-TX-OK
	FDR PRICE	STR PRICE**	FED STR**
Wed 07/02	N/A	156.22	156.20
Tue 07/01	217.20	154.56	154.26
Mon 06/30	216.92	154.56	154.26
Fri 06/27	215.25	154.55	154.26

* 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)