

CattleFax UPDATE

THE
DECIDING
FACTOR

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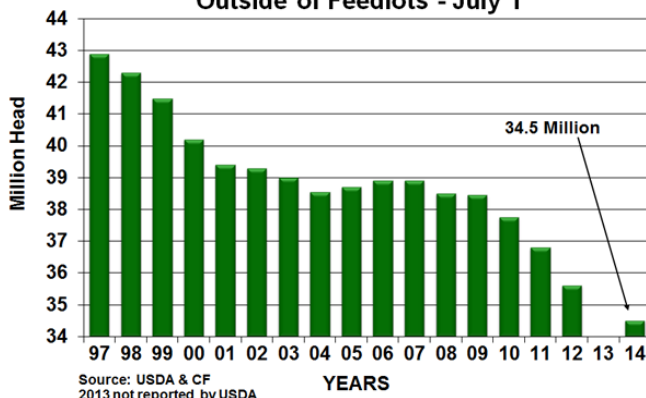
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July Cattle Inventory Report Returns

The USDA released the July 1 cattle inventory report today. This report was not released in July of 2013 due to the USDA budget cutbacks. Thus, today's numbers are a comparison against the 2012 data. The table below includes all of the key data points for the July inventory report.

**U.S. Feeder and Calf Supply
Outside of Feedlots - July 1**



One of the key numbers is the calf crop. The 2014 calf crop was down 679,000 head compared to the 2012 calf crop. One has to assume that the 2013 calf crop was smaller than the 2012 calf crop and with that in mind it would suggest that the domestic cattle supply to be harvested will be smaller for 2015, thus leading to the smaller beef production next year.

Another important number is the beef replacement heifer total. This came in slightly below 2012, by 100,000 head, but one has to assume that this would have been larger than 2013. This confirms the fact that the industry is starting to stabilize/expand - not only with a decline in beef cow slaughter, but also by retaining more heifers to place back into the herd.

The final supply variable is the feeder cattle and calf supply outside of feedlots, it was down 3 percent compared to last year. This is going to lead to smaller placements on average, during the second half of the year. The U.S. Cattle-On-Feed All Sizes total is also down 6 percent.

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Market Highlights

The fed cattle market was sharply higher this week as cattle in the North traded at \$164 to \$166 live, which was \$7 to \$8 higher than last week. On a dressed basis the bulk of the sales occurred at \$258 to \$262. In the South, sales were \$162 to \$165, which was \$7 to \$8 higher than last week. Boxed beef values moved higher this week, pushed along by light supplies and sharply higher asking prices due to the higher fed cattle market. End cuts suitable for grinding remain the biggest price driver. Feeder cattle were \$2 to \$6 firmer for the week while calves were \$2 to \$8 higher. The higher fed cattle market continues to fuel replacement cattle price increases. Slaughter cows were primarily \$1 to \$4 higher for the week.

Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights are up 4 pounds at 865 and are 3 pounds above last year.

continued on back page

JULY 1 U.S. CATTLE INVENTORIES

| | 2012 | 2014 | % YA |
|-------------------------------|------|------|------|
| Total cattle | 97.8 | 95 | 97% |
| All cows | 39.7 | 39 | 98% |
| Beef cows | 30.5 | 29.7 | 97% |
| Dairy cows | 9.2 | 9.3 | 101% |
| Heifers, 500 lbs. and over | 15.7 | 14.9 | 95% |
| Beef replacement heifers | 4.2 | 4.1 | 98% |
| Dairy replacement heifers | 4.1 | 3.9 | 95% |
| Other heifers | 7.4 | 6.9 | 93% |
| Steers, 500 lbs. and over | 14.0 | 13.5 | 96% |
| Bulls, 500 lbs. and over | 1.9 | 1.9 | 100% |
| Calves, under 500 lbs. | 26.5 | 25.7 | 97% |
| Annual calf crop | 34.3 | 33.6 | 98% |
| U.S. Cattle on feed All sizes | 12.3 | 11.6 | 94% |

Source: USDA, numbers are in million head

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Volatility to Continue

The fed cattle market was sharply (\$8-\$10/cwt.) higher on the week. With one of the biggest price moves in history the fed cattle momentum index is extremely high. In fact if the cash market is higher again next week the momentum index will be the second highest on record next to the fall of 2003. Continued volatility is expected as the cash market probes the top side of a trading range that will be in place for at least the remainder of 2014. Using history as a guide once the cash highs are in place with an extremely overbought momentum index the market will have a violent correction. The supply and demand fundamentals will continue to be very friendly through 2014 and on into 2015, as the cattle industry increases the rate of expansion due to record high calf values combined with vastly improved moisture/range conditions in most regions.

Next Week: Fed supplies will remain manageable. Market volatility will continue. Fed cattle prices are expected to be strong in the mid-\$160's or better searching for the top end of the range.

August: Fed cattle supplies will be near even, while the beef complex is normally capped through the heat of the summer. Tight total meat supplies will continue to support strong prices for all proteins. After the market puts in the top side on the range, look for it to pull back. Prices are expected to trade in the \$160's early, \$150's late.

Projected Fed-Cattle Marketings (000 Head) 25-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 | 848 | 33 | 4.4 | 134 | 84 |
| AUG | 808 | 418 | 1225 | 836 | 35 | 4.2 | 139 | 95 |
| SEP | 689 | 450 | 1140 | 838 | 30 | 4.2 | 139 | 94 |
| OCT | 687 | 359 | 1046 | 802 | 27 | 4.6 | 121 | 93 |
| NOV | 743 | 296 | 1039 | 698 | 36 | 3.8 | 128 | 99 |
| DEC | 744 | 393 | 1137 | 836 | 30 | 4.4 | 132 | 95 |

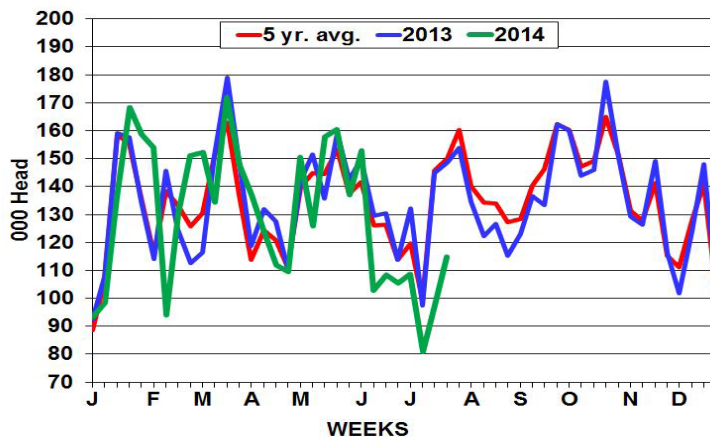
CattleFax Shipments

| | 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 | 477 | 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 | 132 | 2013 | 146 | 148 | 130 | 129 |
| 14%13 | 93 | 104 | 98 | 109 | 100 | 99 | 83 | 13%12 | 102 | 106 | 107 | 102 |
| 14%5Yr | 101 | 96 | 103 | 105 | 99 | 101 | 86 | 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 | 377 | 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 | 105 | 2013 | 131 | 144 | 153 | 144 |
| 14%13 | 105 | 110 | 103 | 102 | 98 | 90 | 77 | 13%12 | 86 | 95 | 117 | 113 |
| 14%5Yr | 107 | 99 | 108 | 107 | 102 | 97 | 75 | 13%5Yr | 86 | 89 | 99 | 105 |

CattleFax Placements



Fed-Cattle Outlook

September-December: Projected fed cattle supplies will remain very manageable moving into the fourth quarter, although industry currentness will need to be watched closely as it pertains to market leverage. Although cow slaughter levels will remain below year-ago levels they will increase seasonally which will pressure the 90 percent lean beef trim market. This will limit the upside of the beef complex moving through years-end even though the rib is expected to have a seasonally rally. Supply/demand fundamentals suggest the fed market will continue to remain historically strong and trade in the \$150's to low \$160's. *Kerin Good*

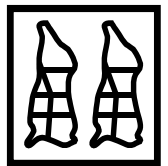
Contract and Formula Cattle 25-Jul-2014

| | Scheduled in July | Shipped in July | Scheduled in August | Scheduled in September |
|----------|-------------------|-----------------|---------------------|------------------------|
| Kansas | 225,000 | 193,000 | 210,000 | 200,000 |
| Texas | 310,000 | 255,500 | 300,000 | 270,000 |
| Colorado | 80,000 | 62,000 | 80,000 | 75,000 |
| Nebraska | 215,000 | 182,500 | 190,000 | 180,000 |
| Totals | 830,000 | 193,000 | 780,000 | 725,000 |

| Basis Bids | September | October | November |
|------------|-------------------|-----------------------|------------------|
| Steers | even to \$1 under | \$1 over to \$1 under | even to \$1 over |
| Heifers | even to \$1 under | \$1 over to \$1 under | even to \$1 over |

Lack of Trimmings Supports Cut-Out

Beef Complex



Prices for the Choice boxed beef cut-out closed the week \$5.75 higher, while Selects advanced by \$8.60 this week. Ribs and Loins are readily available even with limited production, but end cuts, especially rounds, find support from buyers needing grinding product.

Between a light fed slaughter and a very small cow kill, end users are having a difficult time sourcing trimmings for hamburger. Summer is traditionally a strong demand period for trimmings and with the limited supplies, any price reductions on ends are purchased by grinding interests, providing support for the entire beef complex.

Next Week: Asking prices will be higher after the sharp advance in fed cattle prices last week and overall supplies will remain limited. The result could be another week of a higher cut-out. Choice boxes are anticipated to trade between \$254 and \$259, Selects from \$252 to \$256. *Duane Lenz*

Fed Cattle Prices 25-Jul-2014

| | Live Steers | Hot-Wgt Prices | Live Heifers | Hot-Wgt Prices | Trade Volume | Contract Formula |
|------|-------------|----------------|--------------|----------------|--------------|------------------|
| PANH | N.T. | N.T. | N.T. | N.T. | 69,500 | 100% |
| KS | 164-165 | N.T. | 164-165 | 260 | 65,000 | 80% |
| NE | 164-166 | 257-262 | 164-166 | 252-262 | 110,000 | 55% |
| CO* | 165-166 | N.T. | 165-166 | N.T. | 21,000 | 0% |
| CB | 161-165 | 255-260 | 161-165 | 255-260 | 40,000 | 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

Optimizing Feeding Duration of Optaflexx®



Beginning with the end in mind

When working to optimize your end-point management strategy, it's important to start with the end in mind. By reviewing your marketing goals and using aggregate Benchmark® data, you can determine your optimal dose and duration of feeding technologies. For example, since the introduction of Optaflexx®, a majority of producers have been feeding Optaflexx for 28 to 29 days to optimize cattle gains and return.¹ However, as fat cattle prices increase, so does the optimum feeding period to maximize return.

“Our goal is to help customers optimize their net returns,” said Justin Homm, Ph.D. and Elanco technical consultant. “When we see that there are still many producers shortening days on Optaflexx, that raises some concerns because with record cattle prices, these producers could be losing up to \$7.00/head.^{2,3} We also want to help these producers adhere to label directions. Optaflexx has a flexible approved feeding period from 28 to 42 days.”

35 days is the new optimum

A recent analysis of Benchmark data indicates that when marketing steers on a carcass-weight basis, the optimum feeding period of Optaflexx is 34 or 35 days. For example, steers priced at \$230/cwt that are fed Optaflexx out to 35 days can realize a net return of \$35.30/head (Table 1).²

“The data we’ve used to calculate the optimum days on Optaflexx is from a comprehensive cattle source in the industry — our Benchmark database,” said Homm. “It’s important to note that the increased Optaflexx duration recommendation has not changed because the Benchmark data changed or the response to Optaflexx changed; both are still the same. The variable that has modified these recommendations is the change in the market to higher cattle prices. The feeder cattle you are replacing today are well below a breakeven.”

Key points

- Rising fat cattle prices have increased the optimum feeding duration of Optaflexx to 35 days in order to capture the highest returns
- By feeding Optaflexx longer, 35 days versus 28 days, producers can realize an additional return of \$3.00 to \$4.00 per head^{2,3}
- Contact your sales representative to learn how Elanco’s Benchmark database and analytic capabilities can help optimize

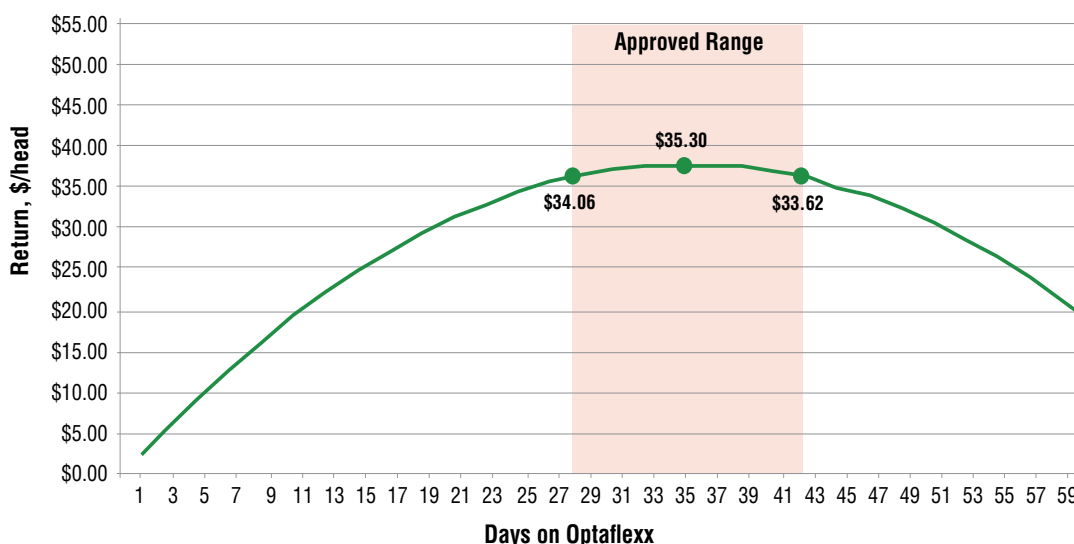
Therefore, we’re encouraging our customers to take full advantage of the upside potential with the current cattle on the showlist.”

The data indicates that 35 days is the new peak feeding duration, but producers still have the flexibility to control their marketing window if they feed beyond 35 days because the net return is relatively flat after this time (Chart 1). At the \$230/cwt price, steers fed one week longer return \$33.62/head, which is \$1.68/head less than the peak time of 35 days.¹

Table 1. Optimum days on Optaflexx when marketing steers on carcass basis²

| Pricing, \$/cwt | Days | Return, \$/head |
|-----------------|------|-----------------|
| \$214 | 34 | \$31.78 |
| \$216 | 34 | \$32.22 |
| \$218 | 34 | \$32.66 |
| \$220 | 34 | \$33.10 |
| \$222 | 34 | \$33.54 |
| \$224 | 34 | \$33.98 |
| \$226 | 34 | \$34.42 |
| \$228 | 34 | \$34.86 |
| \$230 | 35 | \$35.30 |

Chart 1. Optimum days on Optaflexx¹



Incorporating days on feed recommendations

In addition to capitalizing on the gains received when adding days on Optaflexx, producers should also consider the additional benefits of an increased feeding duration when fed prices are high and ration prices are low.

Table 2 illustrates that at a hot carcass weight (HCW) price of \$228.00/cwt, feeding cattle an additional week can result in a gain of \$2.19/head. Adding another week can net producers an additional \$1.12/head, resulting in a net gain of \$3.31/head.³

“With ration prices decreasing and fat cattle prices at record levels, it is a good idea to extend days on feed, which marries well with feeding Optaflexx longer,” said Homm. “Add the additional cost per head producers are gaining just by feeding longer to the gains realized from the additional days on Optaflexx, and they could be looking at an over \$7.00/head gain.”^{2,3}

Manage your showlist, manage your Optaflexx

Today’s market conditions have created a favorable selling environment for producers, allowing you to take advantage of the strong demand for your product and attractive fat cattle prices. These variables allow you to manage when your cattle are placed on the

Key points

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- By feeding Optaflexx longer, 35 days versus 28 days, producers can realize an additional return of \$3.00 to \$4.00 per head^{2,3}
- Contact your sales representative to learn how Elanco’s Benchmark database and analytic capabilities can help optimize

showlist and ultimately sold. By targeting a showlist date, you can work your way back to what date you should begin feeding Optaflexx to help maximize your return.

“If you’re targeting 28 days to market, but your cattle are sold before that, you need to adjust when you start feeding Optaflexx to make sure you’re capturing the additional return,” said Homm. “More importantly, if you know what market date you’re targeting but don’t really know where you actually end up — 28 days, 32 days, 40 days — you are leaving dollars on the table. Let us help so you can maximize your return.”

Table 2. Impact of carcass price and feeding duration on net returns when selling on a carcass basis³

| HCW price | Days on feed (DOF) | | | | | | | | |
|-----------|--------------------|----------|---------|---------|--------|--------|---------|---------|---------|
| | 133 | 140 | 147 | 154 | 161 | 168 | 175 | 182 | 189 |
| \$213.00 | -\$13.49 | -\$8.09 | -\$4.16 | -\$1.47 | \$0.00 | \$0.38 | -\$0.24 | -\$1.77 | -\$4.16 |
| \$220.00 | -\$17.56 | -\$11.06 | -\$6.06 | -\$2.42 | \$0.00 | \$1.29 | \$1.54 | \$0.84 | -\$0.75 |
| \$228.00 | -\$21.62 | -\$14.04 | -\$8.00 | -\$3.36 | \$0.00 | \$2.19 | \$3.31 | \$3.45 | \$2.66 |

Targeted days on feed

The label contains complete use information, including cautions and warnings. Always read, understand and follow the label and use directions.

Optaflexx: Complete feed

For increased rate of weight gain and improved feed efficiency: Feed 8.2 to 24.6 g/ton of ractopamine hydrochloride (90% DM basis) continuously in a complete feed to provide 70 to 430 mg/hd/d for the last 28 to 42 days on feed.

For increased rate of weight gain, improved feed efficiency and increased carcass leanness: Feed 9.8 to 24.6 g/ton of ractopamine hydrochloride (90% DM basis) continuously in a complete feed to provide 90 to 430 mg/hd/d for the last 28 to 42 days on feed.

Optaflexx: Top dress

For increased rate of weight gain and improved feed efficiency: Feed 70 to 400 mg/hd/d of ractopamine hydrochloride (90% DM basis) continuously in a minimum of 1.0 lb/hd/d top dress Type C medicated feed (maximum 800 g/ton ractopamine hydrochloride) during the last 28 to 42 days on feed.



FULL VALUE BEEF™



¹An analysis of Elanco’s Benchmark database of 1,147 pens involving 136,653 steers fed Optaflexx at 300 mg/hd/d at a cost of \$0.42 hd/d over the last 12 months in the Central Plains region. Assumptions include carcass sale at \$236/cwt.

²An analysis of Elanco’s Benchmark database assuming steers in the Central Plains regions were fed 300 mg/hd/d of Optaflexx for the last 3 months at a cost of \$0.45 hd/d.

³An analysis of Elanco’s Benchmark database of 1,048 closeouts involving 148,232 750-lb steers placed on feed in March. Assumptions include \$170/cwt purchase price, selling at \$140/cwt live or \$220/cwt hot basis, with an estimated DOF of 161 days. Values in charts represent difference in profit/loss from the mean value at 161 DOF, assuming ration price of \$300.00/ton.

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Finding the Range

Despite all the fireworks in the cattle markets this year, the CME Feeder Cattle Index has remained very seasonal. Typically the market moves into a range this time of year and so far, this year looks to be very similar. From recent levels, higher-highs and lower-lows are very likely into the fall.

The following seasonal analysis is based on the market year from November 1st through October 31st. For the 2013/14 market year, cash prices have rallied nearly 33 percent from a low of \$164.14/cwt. back in December to the recent high of \$217.62/cwt. The cash market has realized the third-largest rally on record since 1985. Futures priced even priced in a bit more. During the first week of July the October 2014 feeder cattle futures contract reached an intra-day high of \$220.40/cwt, pricing in a 34 percent rally. Since then futures have declined \$11 to \$12/cwt., but have recovered most of that decline. The cash feeder cattle index also weakened, falling from the \$217.62 high to \$210.28/cwt this week. This is volatility

at it's finest and expect for it to continue. Keep in mind that a \$3/cwt. limit-move to futures equates to only a 1.4 percent daily change. Feeder cattle prices have moved from \$85/cwt. in December 2008 to \$220/cwt. For perspective a 1.4 percent move in corn prices equals only \$0.05/bu.

What about the downside after the highs are in? After measuring the percent change from the low that occurred from November through June, the decline that followed averaged -7 percent. Meaning that if the cash highs end up being \$220/cwt. in the weeks ahead (daily high is currently \$217.62), then highly probable downside risk toward \$205/cwt. should be expected.

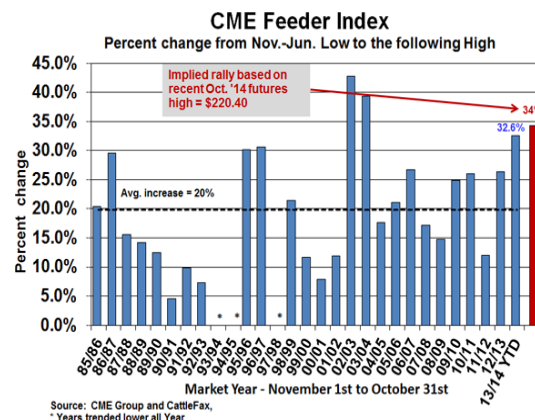
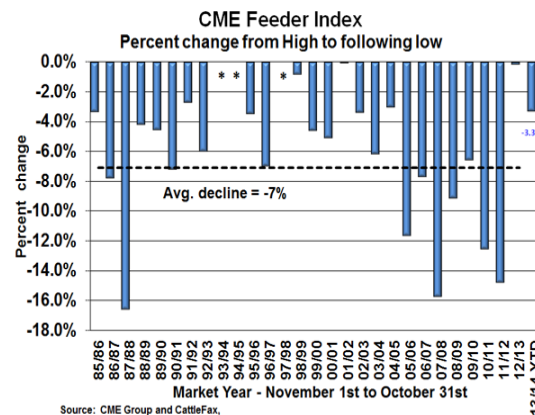
Bottom Line: Cash feeder prices have realized the third largest rally since 1985 on a market year basis. The cash market tends to move into a trading range from July through October – the period in which the market year highs have occurred 19 out of the past 28 years (68 percent). *Chad Spearman*

Feeder Cattle Prices Sponsored by:

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Feeder Cattle Outlook



| Feeder Cattle and Calves: Representative Direct Sales | | | | | |
|---|------------------|-----|---------------|---------------|------|
| Area | # Hd. | Wt. | Breed Type | Price | Del. |
| WEST | | | | | |
| CO | 5,200 | 775 | CH Eng X DEL | 213.30 | SEP |
| CO | 220 | 950 | CH Eng X DEL | 205.00 | SEP |
| CENTRAL | | | | | |
| NM | 550 | 800 | CH Eng X | 204.00 | IMM |
| OK | 500 | 820 | CH Eng X | 209.00 | IMM |
| OK | 1,300 | 875 | CH Eng X | 210.00 | IMM |
| MT | 390 | 550 | CH Eng X | 280.00 | NOV |
| MT | 650 | 580 | CH Eng X | 256.00 | OCT |
| CENTRAL | | | | | |
| MT | 220 | 525 | CH Eng X | 254.00 | OCT |
| Live Cattle Imports, Year-to-Date Totals | | | | | |
| | 12-Jul-14 | | 14-YTD | 13-YTD | |
| Canada | | | | | |
| Feeders | 1,678 | | 230,067 | 162,863 | |
| Slaughter | 10,866 | | 396,073 | 417,346 | |
| | 19-Jul-14 | | 14-YTD | 13-YTD | |
| Mexico | 11,901 | | 568,084 | 525,396 | |

Feeder Cattle Price 25-Jul-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 | 208-212 | 206-212 | 201-206 | 198-205 | 198-205 | 197-204 | 9-10 | 192-196 | 196-210 | 206-210 | 212-216 | 198-202 | 210-214 | 9-10 | 186-190 | 187-191 | 182-187 | 186-190 | 187-191 | 197-202 |
| 8-9 | 218-222 | 216-222 | 208-213 | 206-212 | 207-212 | 205-212 | 8-9 | 204-208 | 207-218 | 217-221 | 220-224 | 212-216 | 217-218 | 8-9 | 199-203 | 202-207 | 194-199 | 198-202 | 199-203 | 207-211 |
| 7-8 | 225-230 | 223-230 | 220-226 | 216-225 | 218-225 | 218-226 | 7-8 | 215-220 | 219-227 | 222-227 | 237-242 | 220-225 | 218-232 | 7-8 | 203-208 | 209-215 | 199-206 | 203-208 | 203-208 | 217-223 |
| 6-7 | 236-248 | 237-252 | 241-250 | 237-249 | 237-248 | 236-247 | 6-7 | 228-239 | 233-248 | 245-257 | 260-272 | 233-240 | 251-263 | 6-7 | 214-222 | 223-231 | 209-219 | 212-219 | 213-220 | 226-231 |
| 5-6 | 261-273 | 259-273 | 250-261 | 244-260 | 245-259 | 243-256 | 5-6 | 246-258 | 250-265 | 259-271 | 283-295 | 258-268 | 275-287 | 5-6 | 230-242 | 235-246 | 229-239 | 230-240 | 232-243 | 237-247 |
| 4-5 | 281-293 | 271-293 | 264-276 | 258-275 | 259-274 | 255-271 | 4-5 | 268-280 | 266-281 | 284-296 | 300-312 | 272-284 | 299-311 | 4-5 | 259-274 | 264-277 | 251-264 | 253-267 | 255-269 | 252-266 |
| | HEIFER | | | | | | | HEIFER | | | | | | | HEIFER | | | | | |
| 8-9 | 210-214 | 208-214 | 198-203 | 197-202 | 196-202 | 195-203 | 8-9 | 190-194 | 187-200 | 206-210 | 212-216 | 193-197 | 210-214 | 8-9 | 187-191 | 189-193 | 182-188 | 186-190 | 187-191 | 192-197 |
| 7-8 | 214-219 | 212-219 | 208-214 | 207-213 | 204-213 | 205-214 | 7-8 | 202-207 | 200-214 | 212-217 | 218-225 | 204-209 | 210-215 | 7-8 | 194-199 | 197-201 | 191-196 | 194-199 | 192-199 | 199-204 |
| 6-7 | 222-234 | 218-236 | 225-234 | 222-233 | 216-232 | 220-232 | 6-7 | 204-216 | 216-228 | 220-232 | 228-240 | 218-225 | 221-233 | 6-7 | 199-206 | 202-210 | 192-202 | 195-204 | 196-203 | 211-218 |
| 5-6 | 232-244 | 233-245 | 237-248 | 234-247 | 227-246 | 232-246 | 5-6 | 221-233 | 225-238 | 234-246 | 247-257 | 227-237 | 240-252 | 5-6 | 211-222 | 219-231 | 206-217 | 210-220 | 209-221 | 220-232 |
| 4-5 | 254-266 | 252-266 | 255-267 | 252-266 | 244-265 | 250-265 | 4-5 | 236-248 | 240-255 | 254-266 | 268-280 | 242-254 | 265-277 | 4-5 | 235-248 | 238-252 | 230-243 | 233-244 | 232-243 | 231-248 |
| | COWS | | | | | | | COWS | | | | | | | COWS | | | | | |
| util | 109-126 | 114-126 | 115-123 | 111-121 | 112-121 | 112-127 | util | 116-126 | 117-127 | 113-123 | 112-124 | 119-128 | 115-124 | util | 108-119 | 106-117 | 106-118 | 107-117 | 108-119 | 108-117 |
| cn/cut | 110-118 | 107-118 | 107-115 | 101-113 | 104-113 | 104-120 | cn/cut | 107-117 | 108-118 | 105-115 | 105-114 | 109-119 | 108-116 | cn/cut | 103-111 | 102-112 | 102-110 | 102-109 | 98-108 | 100-106 |
| bulls | 136-146 | 133-146 | 128-141 | 126-140 | 126-140 | 126-146 | bulls | 132-144 | 133-145 | 133-143 | 135-145 | 137-145 | 134-144 | bulls | 127-133 | 125-133 | 125-132 | 125-132 | 125-135 | 127-132 |
| West — Feeder cattle prices were mostly \$3 to \$6 higher. Calf prices were mostly \$4 to \$6 higher with instances of \$10 higher on lightweight heifers. Slaughter cow values steady to \$1 higher. — <i>Chad Spearman</i> | | | | | | | Central — Feeder cattle prices were \$2 to \$3 higher. Calf prices were \$2 to \$8 higher. Slaughter cow values were \$1 to \$4 higher. — <i>Chad Spearman</i> | | | | | | | Southeast — Feeder cattle prices were mainly \$2 stronger on the week. Calf values were steady to \$4 higher. Slaughter cow prices were steady to \$2 higher. — <i>Kevin Good</i> | | | | | | |



CattleFax

9110 East Nichols Avenue, Ste. 301
Englewood, Colorado 80112
1-800-825-7525

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July Cattle Inventory Report Returns continued from page 1

Bottom Line: The inventory report in general suggests that the industry, had liquidated further in 2013, but is now in the midst of expanding and, Mother Nature willing, the industry will continue with expanding into the next couple of years. In the next 12 to 18 months the data suggests that there will be fewer domestic cattle to be harvested, from both the fed (steer and heifer) and non-fed (cow and bull). *Mike Murphy*

Placements Decline

Cattle-on-feed was down 2 percent compared to a year ago. Marketings declined 2 percent compared to a year ago. Placements were in line with the forecast and were down 6 percent compared to last year.

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

| | Average 2009-2013 | 2013 | 2014 | % year ago |
|------------|----------------------|-------|-------|---------------|
| COF June 1 | 10730 | 10767 | 10594 | 98 |
| Placed | 1586 | 1551 | 1455 | 94 |
| Marketed | 1985 | 1880 | 1847 | 98 |
| Other Dis. | 63 | 63 | 75 | 119 |
| COF July 1 | 10268 | 10375 | 10127 | 98 |

There were 4.2 marketing weeks this year versus last year's 4.1. Federally inspected steer and heifer slaughter was down 3 percent compared to a year ago. The seasonal of cattle-on-feed is expected to stay within the norm. Placements and Marketings are expected to fall below year-ago levels going forward. The cheaper cost of gains could attract some cattle to the yard.

Michael Murphy

F.I. Slaughter Mix (000 head)

| | ----- Week Ending ----- | | ----- Year To Date ----- | | Pct Chg |
|------------|-------------------------|-------------|--------------------------|-------|---------|
| | 12-Jul-2014 | 13-Jul-2013 | 2014 | 2013 | |
| Total Sltr | 579 | 641 | 16156 | 17130 | DN 5.7 |
| | Pct No | Pct No | | | |
| Steers | 54.4 315 | 51.3 329 | 8375 | 8561 | DN 2.2 |
| Heifers | 27.5 159 | 28.2 181 | 4539 | 4878 | DN 6.9 |
| Cows | 16.6 96 | 18.9 121 | 2957 | 3406 | DN 13.2 |
| Bulls | 1.6 9 | 1.6 10 | 286 | 284 | UP 0.7 |

Summary of Activity Sponsored by:



| Summary of Activity | This Week 25-Jul-14 | Last Week 18-Jul-14 | Year Ago 26-Jul-13 |
|---|------------------------|----------------------------|-----------------------|
| CattleFax Data | | | |
| Placements | 114,829 | 97,536 | 148,559 |
| Shipments | 121,801 | 123,542 | 151,789 |
| Avg In-Weights | 723 | 694 | 733 |
| USDA Sltr Wgts | 1,316 | 1,313 | 1,304 |
| USDA Str Carc Wgt* | 865 | 861 | 862 |
| Days on Feed | N/A | 140 | 134 |
| Carryover Pct | 32 | 30 | 30 |
| Weekly Supply | 389,400 | 368,000 | 383,000 |
| Percent Grade Choice & Higher | 70.87 | 70.36 | 66.30 |
| Prime Grade Pct | 3.93 | 3.79 | 3.07 |
| Choice Grade Pct | 66.94 | 66.57 | 63.23 |
| Select Grade Pct | 25.14 | 25.84 | 29.41 |
| Live Prices (\$/cwt) | | | |
| Slaughter Steers | N/A | 155.66 | 119.69 |
| Steer Calf (450#) | 277.64 | 274.69 | 175.65 |
| Steer Calf (550#) | 258.04 | 256.09 | 159.85 |
| Yearling Steer (650#) | 239.29 | 235.48 | 151.14 |
| Yearling Steer (750#) | 221.36 | 218.63 | 145.83 |
| Yearling Steer (850#) | 212.00 | 208.57 | 141.52 |
| Utility and Commercial Cows | 118.29 | 115.60 | 79.38 |
| Canner and Cutter Cows | 110.44 | 107.46 | 74.91 |
| Lean Hogs | 127.59 | 131.91 | 98.46 |
| Omaha Corn (\$/bu) | 3.42 | 3.65 | 5.71 |
| 12-City Broiler | 103.89 | 108.82 | 97.30 |
| Dollar Index | 80.96 | 80.63 | 81.69 |
| Meat Prices (\$/cwt) | | | |
| Certified Angus Beef Cutout (UB) | 259.31 | 253.53 | 195.13 |
| Choice Cutout | 255.56 | 249.81 | 187.66 |
| Select Cutout | 252.84 | 244.24 | 182.70 |
| Choice/Select Price Spread | 2.72 | 5.57 | 4.96 |
| Cow Cutout | 277.96 | 228.83 | 160.09 |
| Hide and Offal | 16.11 | 15.75 | 14.74 |
| Pork Cutout | 131.31 | 137.09 | 99.56 |
| Slaughter (000 hd) and Meat Production (Mil lbs) | | | |
| Cattle | 581.0 | 577.0 | 640.0 |
| Hogs | 1,862.0 | 1,833.0 | 1,990.0 |
| Total Red Meat Production | 858.2 | 856.7 | 917.7 |
| Beef Production | 457.0 | 460.9 | 508.4 |
| Pork Production | 397.0 | 391.5 | 404.6 |
| Poultry Production | N/A | 766.8 | 774.6 |
| | | | |
| | CME AVG FDR PRICE | 6 STATE FED STR PRICE** | KS-TX-OK FED STR** |
| Thu 07/24 | N/A | 162.25 | 161.47 |
| Wed 07/23 | 212.98 | 158.88 | 158.18 |
| Tue 07/22 | 210.64 | 155.84 | 155.30 |
| Mon 07/21 | 210.48 | 155.84 | 155.30 |
| Fri 07/18 | 210.88 | 155.84 | 155.30 |

* 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)