

# CattleFax UPDATE

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FACTOR

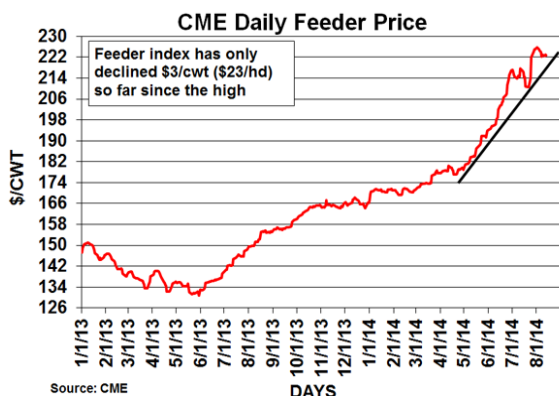
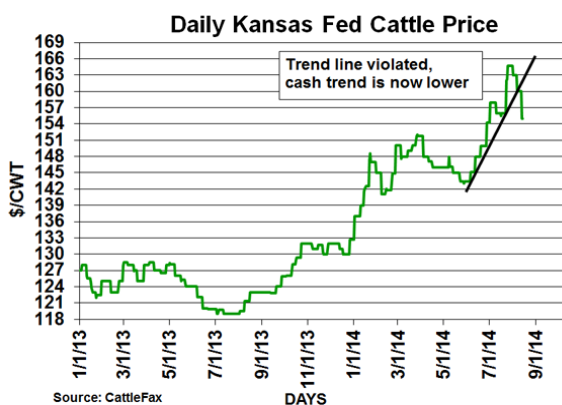
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## Market Confirms Lower Trend



### Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights are up 4 pounds at 874 and are 8 pounds above last year.

proven was not sustainable for very long.

Since the cash fed price high three weeks ago, the CattleFax fed steer price has declined 6 percent and the August live cattle futures has dropped 7 percent from its high. Historically, in years when fed cattle prices exploded higher, the average correction from those highs has been about 13 percent, suggesting a cash target in the low-to-mid \$140's. And it is not uncommon to see this correction take 8 to 13 weeks.

**Bottom Line:** The fed cattle price trend has turned lower and the deferred live cattle futures have already declined about \$10/cwt or \$135 per head. Applying this \$135 per head reduction to feeder cattle suggests a 750 pound steer has \$18/cwt risk lower and a 550 pound calf has \$25/cwt of risk lower in the coming weeks. With the CME Feeder Index only trading \$3/cwt off the recent highs, the cash feeder and calf markets have significant risk lower in the weeks ahead despite remaining strong feeder cattle demand. *Tod Kalous*

With this week's cash fed cattle trade the market is now \$10/cwt off the highs reached just three weeks ago. Additionally, as the chart illustrates, with this week's cash trade the uptrend line has been broken and the trend is now confirmed lower. As discussed the past two weeks in the CattleFax Update, many market factors have become extreme and have warned that current conditions are unsustainable and a correction was likely to occur, and this week confirms this trend change is just beginning.

As an example, the October lean hog futures topped on July 7 at \$118.35/cwt and are now trading 19 percent (\$23/cwt) lower near \$95/cwt. Given the forecasted per capita net pork supply for September and October and based on the October lean hog futures high, suggests pork demand will be up 20 percent versus last year, which is a very extreme increase historically and as the market has

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### Market Highlights

The fed cattle market trended lower again this week as live cattle in the North traded in the \$153 to \$156 range, \$3 to \$7 lower compared to last week. On a dressed basis, trade was in a wide range of \$4 to \$13 lower, at \$242 to \$248. In the South, cattle traded at \$155 this week, \$5 to \$6 lower compared to the previous week. Boxed beef prices pulled back this week as round cuts retreated from near all-time highs, and loin cuts showed weakness as summer grilling nears an end. Feeder cattle were \$4 to \$10 lower this week; and calves were very mixed from steady to as much as \$15 lower on tight supplies. Slaughter cows were mostly steady. Corn ticked higher this week by 10 cents as the increase in projected U.S. corn yield was less than anticipated.

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# Downtrend in Place

After reaching all-time highs and an extremely overbought situation, the fed market has dropped \$10/cwt in the last three weeks and is presently in a down trend. Look for the market to continue to decline moving forward to dissipate the overbought condition. The supply side fundamentals will remain positive moving forward, but the demand side is expected to have challenges at the historically high levels. As the pork and poultry markets move seasonally lower into the fall, the price spread between the proteins will not be as favorable to beef and fed cattle prices as a percent of retail beef prices are historically high. Both of these factors should result in less beef featuring activity moving through the remainder of the year. Longer-term, supply fundamentals remain very positive through 2015, as the cattle industry increases the rate of expansion due to record high calf values combined with vastly improved moisture/range conditions.

**Next Week:** Fed supplies will remain near even. The beef complex will be lower. Market volatility will continue. Fed cattle prices are expected to be softer in the low-to-mid \$150's.

**Late August- September:** Fed cattle supplies will be near even, but carcass weights will continue to increase, and if the feeding industry loses currentness it will also lose leverage/bargaining position. Look for the beef complex to pull back as increasing supplies of competitively priced pork and poultry will

## Fed-Cattle Outlook

be noted. Using past years where the market was extremely overbought as a gauge, the fed market has risk back into the mid-\$140's for a fall low.

**October-December:** Projected fed cattle supplies will remain very manageable moving into the fourth quarter, although industry currentness will need to be watched closely. Although cow slaughter levels will remain below year ago levels, they will increase seasonally which will pressure the 90's trim market. This will limit the upside of the beef complex moving through to year-end, even though the rib will have its seasonal rally. Supply/demand fundamentals suggest the fed market will trade in the upper \$140's to the mid \$150's. *Kevin Good*

### Contract and Formula Cattle 15-Aug-2014

	Scheduled in August	Shipped in August	Scheduled in September	Scheduled in October
Kansas	210,000	110,000	200,000	200,000
Texas	300,000	145,000	270,000	250,000
Colorado	80,000	40,000	75,000	75,000
Nebraska	200,000	100,000	190,000	190,000
Totals	790,000	395,000	735,000	715,000

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

### Projected Fed-Cattle Marketings (000 Head) 15-Aug-2014

	Adj. Wkly Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over %	Net Weeks	Avg Shipments	% of Yr Ago
AUG	832	403	1235	750	41	4.2	124	85
SEP	781	510	1291	800	41	4.2	133	90
OCT	688	556	1244	790	40	4.6	120	92
NOV	533	516	1049	656	41	3.8	120	93
DEC	746	446	1192	807	36	4.4	128	90
JAN	687	444	1131	778	35	4.2	129	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	705	641	2012	533	558	533
2014	605	534	553	589	586	626	597	279	2013	592	597	516
<b>Weekly Averages (000 hd)</b>												
2013	148	128	135	123	139	150	160	146	2012	140	121	127
2014	137	133	132	134	139	149	136	127	2013	148	130	129
14%13	93	104	98	109	100	99	85	87	13%12	106	107	102
14%5Yr	101	96	103	105	99	101	89	86	13%5Yr	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	599	576	2012	527	605	535
2014	605	529	635	542	643	494	495	272	2013	576	702	576
<b>Weekly Averages (000 hd)</b>												
2013	131	120	146	121	156	131	136	131	2012	151	131	127
2014	138	132	151	123	153	118	113	124	2013	144	153	144
14%13	105	110	103	102	98	90	83	95	13%12	95	117	113
14%5Yr	107	99	108	107	102	97	81	84	13%5Yr	89	99	105

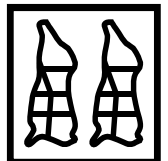
## School Purchases Stretch Consumers

Beef  
Complex

Prices for the Choice boxed beef cutout values were quoted \$5.67 lower on Choice this week; Selects closed \$6.69 lower over the same period. Asking prices opened the week lower and buyers were more than content to sit on the sidelines, seeing if further reductions were on the way.

The cost of school supplies, fees and clothes are up this year, and as parents purchase these supplies they have to find other places to cut. One spot may wind up being beef as they look for lower priced protein alternatives until they have been able to absorb the one-time costs of sending their children back to school.

**Next Week:** Lower cattle prices and a slow demand period may translate to another lower week for the cutout. Look for Choice boxes to sell from \$250 to \$256, Selects between \$242 and \$248. *Duane Leng*

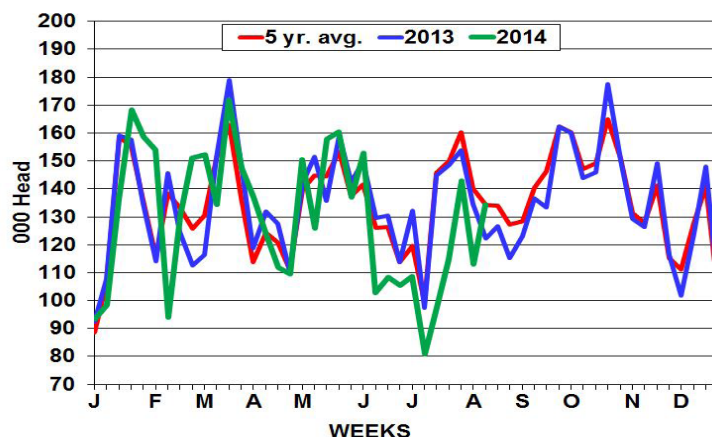


### Fed Cattle Prices 15-Aug-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	153-155	N.T.	153-155	N.T.	76,000	99%
KS	155	N.T.	155	243.50	66,000	79%
NE	154-156	244-248	154-156	244-248	95,000	65%
CO*	156-157	N.T.	156-157	247	21,000	93%
CB	153-159	240-248	153-159	242-248	23,000	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

## CattleFax Placements





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# Where Does the Market Go From Here?

The euphoria surrounding the cattle markets over the past 12-15 months was bound to turn over at some point. The market exceeded most everyone's expectations, and then some, during what has been the most bullish run in the history of cattle prices. On May 31st of 2013, when the run-up in the market began, the Feeder Cattle Index was at \$130.81. The Index peaked on August 4th, 2014 at \$225.68 – nearly a \$95/cwt, or 72.5 percent increase in a period of 15 months.

CattleFax has documented the many reasons as to how and why the “perfect storm” occurred—the drastic reduction in per-capita beef and alternate protein supplies, increasing

global and domestic demand, tight fed cattle supplies, etc., etc. The overall shock to the system of the supply shortage of beef and competing proteins, coupled with impressive global and domestic protein demand sent the markets into a frenzy that resulted in some of the highest profitability in history

for cattle producers. It is evident the initial shock is wearing off and the markets are becoming more accustomed to and adjusting to what the “real” protein supply will be, not only in the present but also in the future.

This leaves feeder cattle producers wanting to know where the market goes from here. The market indicators and data point to a lower trend that could last for several months. Just like the market had to find its resistance levels – now the market has to find its support levels for the new and higher trading range. And, the feeder cattle market will go the way of the fed market.

With corn prices where they currently are, the futures market has factored in roughly a \$60/cwt feeder-fed spread. This is expected to remain the case unless corn prices trade in more than a 50 cent higher or lower range. Current analysis points to risk in the fed market to the low-to-mid \$140's levels, likely to occur in the October/November timeframe, which would indicate there is risk to the feeder cattle market near the \$200/cwt level.

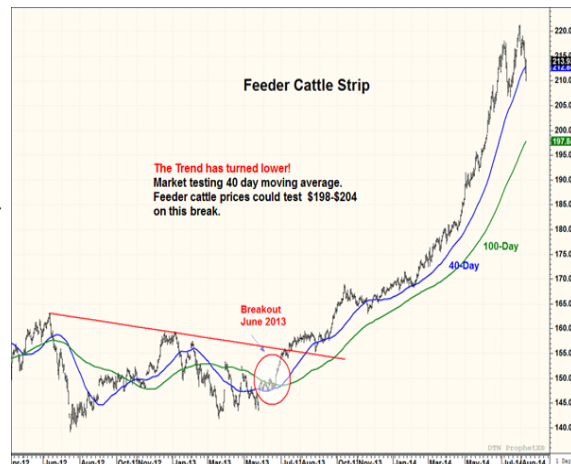
**Bottom Line:** All indicators point to the fact the cattle markets will trend lower in the near term. For sellers of feeder cattle and/or calves, it is important to get the cattle priced and marketed utilizing forward contracts or by using the futures or options markets to preserve and protect price and equity. Realizing the majority of cattle are still highly profitable at today's levels. We will keep you informed if indicators change. *Troy Applehans*

Feeder Cattle Prices Sponsored by:

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## Red Angus

Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
<b>CENTRAL STEERS</b>					
TX	1,000	750	CH Eng X	218.65	SEP
TX	500	750	CH Eng X	218.00	OCT
TX	3,000	750	CH Eng X	216.50	NOV
WY	600	400	CH Eng X	367.00	OCT
WY	100	600	CH Eng X	282.00	JAN
MT	200	600	CH Eng X	262.00	OCT
CO	100	480	CH Eng X	305.00	OCT
CO	1,200	850	CH Eng X	219.75	SEP
SD	100	480	CH Eng X	312.00	OCT
NM	700	800	CH Eng X	214.00	OCT
<b>CENTRAL HEIFERS</b>					
OK	200	700	CH Eng X	203.90	OCT
OK	300	700	CH Eng X	205.00	NOV
TX	1,000	700	CH Eng X	211.30	SEP
TX	750	710	CH Eng X	211.15	OCT
TX	1,400	710	CH Eng X	209.10	NOV
WY	100	460	CH Eng X	291.00	OCT
MT	100	580	CH Eng X	278.00	OCT
CO	100	740	CH Eng X	218.00	SEP
CO	1,050	860	CH Eng X	208.00	SEP
SD	100	570	CH Eng X	271.00	NOV
<b>SOUTH STEERS</b>					
GA	250	975	CH Eng X	184.00	IMM
AL	150	725	CH Eng X	217.25	NOV
AL	150	825	CH Eng X	209.00	NOV
<b>SOUTH HEIFERS</b>					
GA	300	725	CH Eng X	194.50	IMM
AL	100	675	CH Eng X	208.00	NOV
AL	100	825	CH Eng X	195.00	NOV
<b>Live Cattle Imports, Year-to-Date Totals</b>					
<b>Canada</b>		<b>02-Aug-14</b>	<b>14-YTD</b>	<b>13-YTD</b>	
Feeders		848	234,173	168,586	
Slaughter		9,020	424,757	443,879	
<b>Mexico</b>		<b>09-Aug-14</b>	<b>14-YTD</b>	<b>13-YTD</b>	
		11,026	611,986	550,666	



## Feeder Cattle Price 15-Aug-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>																				
9-10	201-205	201-205	202-207	201-206	183-206	200-207	9-10	198-202	194-204	207-211	215-219	202-206	209-213	9-10	195-199	195-199	191-195	195-199	195-199	202-206
8-9	210-214	211-217	210-215	209-214	188-214	208-215	8-9	206-210	208-212	209-213	218-222	207-211	215-219	8-9	206-210	206-210	201-205	205-209	205-209	217-221
7-8	228-233	225-234	222-228	221-227	206-227	220-228	7-8	219-224	220-230	235-240	235-240	219-224	230-235	7-8	215-218	215-218	205-210	208-213	210-215	219-224
6-7	241-248	237-244	242-251	238-250	220-249	237-248	6-7	231-238	231-255	243-250	245-252	231-238	242-249	6-7	215-222	223-230	215-222	217-224	218-225	224-231
5-6	289-299	245-265	252-263	249-262	239-261	248-261	5-6	255-265	253-265	262-272	281-291	258-268	279-289	5-6	230-240	245-255	230-240	230-240	230-240	235-245
4-5	314-326	290-303	270-282	267-281	268-300	264-280	4-5	276-288	270-286	269-281	323-335	268-280	319-331	4-5	257-269	274-286	267-279	268-280	263-275	263-275
<b>HEIFER</b>																				
8-9	196-200	199-203	197-202	196-201	179-201	194-202	8-9	194-198	189-194	204-209	204-208	198-202	204-208	8-9	188-192	189-193	184-188	188-192	188-192	188-192
7-8	205-209	212-216	211-217	210-216	187-216	208-217	7-8	203-208	204-210	215-219	208-212	204-209	207-211	7-8	200-205	200-205	194-199	197-202	199-204	199-204
6-7	219-226	217-227	228-237	227-236	205-235	225-237	6-7	220-227	222-235	218-225	234-241	222-229	231-238	6-7	204-211	213-220	204-211	204-211	208-215	216-223
5-6	228-238	230-242	239-250	236-249	225-248	234-248	5-6	235-245	235-247	233-243	230-240	235-245	231-241	5-6	215-225	222-232	216-226	216-226	220-230	225-235
4-5	276-288	265-278	257-269	255-268	255-267	253-268	4-5	248-260	245-260	266-278	263-275	251-263	265-277	4-5	236-248	243-255	236-248	236-248	238-250	232-244
<b>COWS</b>																				
util	120-130	108-120	119-127	113-122	117-128	114-125	util	121-131	116-132	111-121	115-125	124-134	110-120	util	107-114	112-122	109-116	110-117	103-113	104-112
cn/cut	115-125	104-116	111-119	103-114	95-117	106-117	cn/cut	115-125	105-125	107-117	104-114	115-125	102-112	cn/cut	101-106	106-116	101-108	102-109	95-105	95-103
bulls	135-145	131-142	132-145	127-140	130-143	129-146	bulls	141-151	136-148	135-145	140-150	144-154	131-141	bulls	126-131	127-137	125-133	126-134	126-136	125-133
<b>West</b> — Feeder cattle prices were mostly \$2 to \$3 lower. Calf prices were steady to \$4 lower. Slaughter cow values were mostly steady. — Chad Spearman																				
<b>Central</b> — Feeder cattle prices ranged from \$4 to \$10 lower for the week. Calves were from \$2 to \$15 lower. Market cows were steady. — Troy Applehans																				
<b>Southeast</b> — Feeder cattle prices generally ranged from \$4 to \$10 lower for the week. 6 weights were as much as \$20 lower. Calf values very mixed ranging from steady to as much as \$20 lower. Market cows were steady to \$3 higher.— Troy Applehans																				



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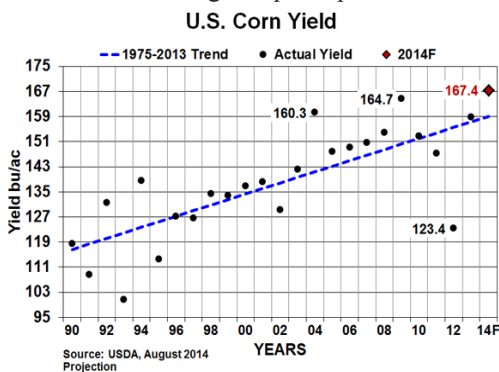
## Corn Yield Revised Higher

The USDA released the August Crop Production and monthly WASDE (World Agricultural Supply and Demand Estimates) reports this week. U.S. corn yield was revised higher amid favorable growing conditions. The yield increase fell below trade expectations, but the trend and expectations are higher.

Average yield was estimated at a record large 167.4 bu/ac, up from the July WASDE estimate of 165.3 bu/ac and well above last year's 158.8 bu/ac. The average of pre-report trade estimates (Reuters) was near 170 bu/ac, so the USDA estimate came in below expectations. Harvested acreage was left unchanged at 83.839 million acres. Across the top 12 corn production states, record yields are expected for Illinois, Indiana, Iowa and Michigan and the largest yield increases compared to 2013 are expected for Missouri (+18%), Kansas (+14%) and Iowa (+12%). Corn production was revised 172 million bushels higher to 14.032 billion.

Total corn usage for the 2014/15 market year was revised 100 million bushels higher to 13.435 billion. Increases were noted for feed and residual usage, corn used for ethanol and exports, which were revised higher by 50, 25 and 25 million bushels respectively. Projected stocks to use are unchanged at 13.5 percent.

**Bottom Line:** U.S. corn stocks-to-use levels are expected to rise to 14 to 16 percent into fall 2014 and spring 2015, supporting spot futures prices near \$3.50 /bu. with major resistance in the \$4.20 to \$4.50/bu. range basis the December 2014 and March/May 2015 contracts. *Chad Spearman*



Summary of Activity Sponsored by:



Summary of Activity	This Week 15-Aug-14	Last Week 8-Aug-14	Year Ago 16-Aug-13
<b>CattleFax Data</b>			
Placements	134,467	113,119	122,132
Shipments	137,243	114,901	146,500
Avg In-Weights	744	758	731
USDA Sltr Wgts	1,325	1,322	1,310
USDA Str Carc Wgt*	874	870	866
Days on Feed	135	174	149
Carryover Pct	37	35	30
Weekly Supply	455,200	419,500	398,100
Percent Grade Choice & Higher	69.47	70.46	64.70
Prime Grade Pct	3.93	3.83	3.04
Choice Grade Pct	65.54	66.63	61.66
Select Grade Pct	25.85	24.98	29.75
<b>Live Prices (\$/cwt)</b>			
Slaughter Steers	154.86	160.24	123.73
Steer Calf (450#)	287.62	288.83	184.86
Steer Calf (550#)	260.26	264.13	168.35
Yearling Steer (650#)	237.51	253.54	159.87
Yearling Steer (750#)	224.65	231.47	153.84
Yearling Steer (850#)	211.11	218.80	148.08
Utility and Commercial Cows	119.20	119.16	83.41
Canner and Cutter Cows	111.48	110.43	77.79
Lean Hogs	110.72	117.62	99.22
Omaha Corn (\$/bu)	3.54	3.46	6.04
12-City Broiler	99.76	98.04	91.36
Dollar Index	81.48	81.38	81.12
<b>Meat Prices (\$/cwt)</b>			
Certified Angus Beef Cutout (UB)	261.50	264.14	198.08
Choice Cutout	256.74	262.41	193.30
Select Cutout	248.57	255.26	185.71
Choice/Select Price Spread	8.17	7.15	7.59
Cow Cutout	232.17	230.50	160.89
Hide and Offal	16.61	16.51	14.25
Pork Cutout	116.19	126.42	102.71
<b>Slaughter (000 hd) and Meat Production (Mil lbs)</b>			
Cattle	577.0	573.0	624.0
Hogs	2,017.0	1,919.0	2,184.0
Total Red Meat Production	899.4	873.9	939.1
Beef Production	465.5	460.7	492.9
Pork Production	429.7	408.9	441.4
Poultry Production	N/A	790.5	761.1
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 08/14	N/A	156.91	156.43
Wed 08/13	222.78	159.18	159.50
Tue 08/12	222.97	160.11	160.16
Mon 08/11	222.55	160.24	160.16
Fri 08/08	223.09	160.25	160.16

\* 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)

	----- Week Ending -----				----- Year To Date -----		
	02-Aug-2014		03-Aug-2013		2014	2013	Pct Chg
Total Sltr	575		622		17886	19045	DN 6.1
	Pct	No	Pct	No			
Steers	54.8	315	51.4	320	9316	9551	DN 2.5
Heifers	27.1	156	27.8	173	5002	5414	DN 7.6
Cows	16.2	93	19.0	118	3248	3762	DN 13.7
Bulls	2.1	12	1.8	11	321	318	UP 0.9