

CattleFax UPDATE

THE
DECIDING
FACTOR

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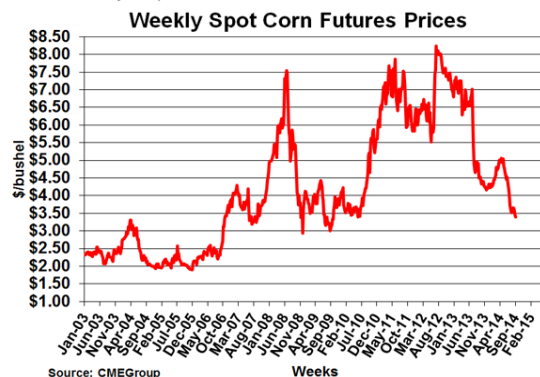
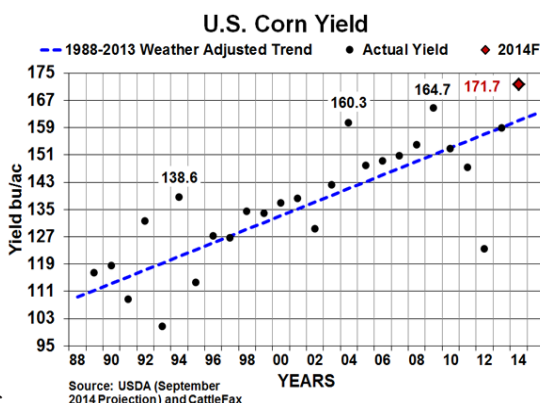
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Higher Corn Yield Realized

This week's Crop Production and WASDE reports from the USDA included larger corn yield and production estimates as well as larger projected stocks to use levels for the 2014/15 corn market year. Corn futures pressed to fresh lows following the release of the fundamental data as market participants remain wary of higher trending yields.

The USDA revised U.S. projected corn yield to 171.7 bu/ac, up 4.3 bu/ac from the August estimate of 167.4. The August yield estimate by the USDA had fallen short of trade expectations that were near 170.1 bu/ac, but the September projection by USDA was actually 1 bu/ac higher than the average of pre-report trade estimates at 170.7 (Reuters). Over the 40 years from 1974 through 2013, USDA forecasted monthly U.S. corn yield has been revised higher from the August estimate to the September estimate 18 times (45%). Of those 18 years, the final U.S. corn yield ended



Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights are down 3 pounds at 877 and are 10 pounds above last year.

up rising above the September estimate 14 times, or 78% of the time. So, from a probability standpoint, the concern over a larger yield estimate in the months ahead remains valid, but at 171.7 bu/ac is near the upside of CattleFax expectations. At the same time, market participants are looking toward Monday's crop acreage data from FSA (Farm Service Agency) due to some concerns over the potential for corn acreage compared to current estimates.

U.S. corn production was revised 3 percent higher to 14.395 billion and total supply was up 2 percent to 15.607 billion. Total usage was revised 1 percent higher to 13.605, allowing ending stocks to grow 11 percent to 2.002 billion bushels. Projected stocks to use rose from 13.5 to 14.7 percent.

Bottom Line: Spot corn futures prices have dipped below \$3.50/bu where fundamental support was expected to hold, even though stocks to use levels remain near expectations of 14 to 16 percent through next spring. Corn prices are seeking a level which will spur demand. Spot futures are expected to find support in the \$3.25-\$3.35/bu range with major resistance in the \$4.20 to \$4.50/bu. range basis the December 2014 and March/May 2015 contracts. *Chad Spearman*

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Market Highlights

The fed cattle market was not fully established in the North at press time, but the market tone is steady to softer for the week. On trade that has occurred thus far in the North is in a range of \$248 to \$252, near steady with last week. In the South, live cattle traded at \$161 to \$162, \$1 to \$2 lower than last week. Boxed beef prices were mixed for the week as Choice product closed steady and Selects closed lower, following the seasonal pattern as the spread widens into the fall. Feeder cattle and calves were both steady to \$5 higher for the week. Feeder cattle and calf receipts are increasing seasonally into the fall. Slaughter cows were steady for the week. Corn trended lower again this week as the USDA's September Crop Production report showed an increase in yield of 4 bushels/acre over the August report, increasing the stocks to use ratio to 14.70 percent.

Don't Miss the

CattleFax Cow-Calf Webinar

A new Trends+ Webinar focused on profitable beef cowherd expansion is scheduled for

5:30 p.m. MT

Wednesday, September 17, 2014

Register and access program details at <http://www.cattlefax.com/meetings.aspx>.

CattleFax

2015 OUTLOOK & STRATEGIES

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Top Side Defined

Fed-Cattle Outlook



Both the fed market and the futures complex has pushed into the \$160 to \$165 range, twice, since mid-year. Both times the market has rejected that level, and it appears that this will be the top side of the trading range through the rest of 2014. Longer term, the supply side fundamentals are very bullish and suggest that the market may penetrate this range at some point in 2015. Volatility will continue moving forward as the market works to establish the full extent of the trading range in a rapidly changing supply environment. Increasing supplies of both pork and poultry will be noted moving forward, leading to increasing total meat supplies by late 2014 and into 2015. This will be a price limiting factor.

Next Week: Fed supplies will remain near even. The beef complex will be lower. Market volatility will continue. Fed cattle prices are expected to trade near \$160.

Late-September - October: Fed cattle supplies will decline slightly compared to today's level, although seasonally increasing carcass weights and cow slaughter will be noted. Look for the beef complex to pull back as increasing supplies

of competitively priced pork and poultry will be noted. Prices are expected to trade between \$150 and \$160.

November-December: Placed against fed cattle supplies are well below year ago levels, but industry currentness will need to be watched closely as carcass weights are expected to remain record large. Cow slaughter levels will increase seasonally which will pressure the 90's trim market. This coupled with the larger competitive meat supplies will limit the upside of the beef complex moving through year-end, even though the rib market is expected to have a strong seasonal rally. Supply and demand fundamentals suggest the fed market will trade between the low \$150's and the low \$160's. *Kevin Good*

Projected Fed-Cattle Marketings (000 Head) 12-Sep-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
SEP	746	450	1196	804	36	4.2	133	90
OCT	719	452	1171	793	36	4.6	120	92
NOV	583	437	1020	632	41	3.8	116	90
DEC	650	439	1089	800	30	4.4	127	89
JAN	692	343	1035	739	32	4.2	123	90
FEB	737	348	1085	729	36	4.0	127	95

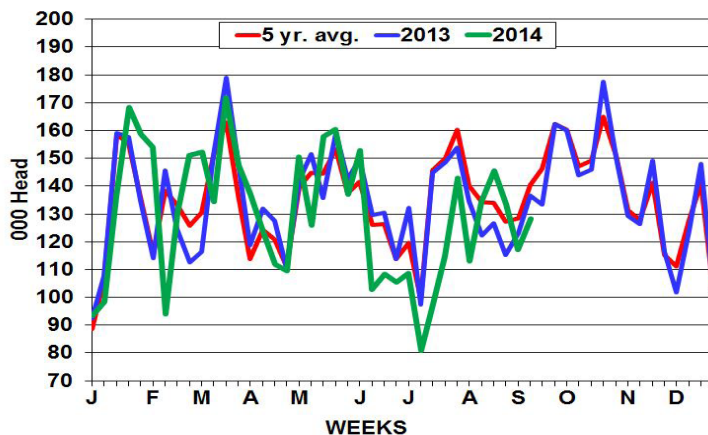
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2013	652	538	568	541	614	598	705	641	592	2012	558	533
2014	605	534	553	589	586	626	597	596	239	2013	597	516
Weekly Averages (000 hd)												
2013	148	128	135	123	139	150	160	146	148	2012	121	127
2014	137	133	132	134	139	149	136	142	133	2013	130	129
14%13	93	104	98	109	100	99	85	97	90	13%12	107	102
14%5Yr	101	96	103	105	99	101	89	96	92	13%5Yr	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	576	576	2012	605	535
2014	605	529	635	542	643	494	495	551	245	2013	702	576
Weekly Averages (000 hd)												
2013	131	120	146	121	156	131	136	131	144	2012	131	127
2014	138	132	151	123	153	118	113	131	136	2013	153	144
14%13	105	110	103	102	98	90	83	100	94	13%12	117	113
14%5Yr	107	99	108	107	102	97	81	89	85	13%5Yr	99	105

CattleFax Placements



Contract and Formula Cattle 12-Sep-2014

	Scheduled in September	Shipped in September	Scheduled in October	Scheduled in November
Kansas	205,000	98,000	200,000	190,000
Texas	290,000	151,000	270,000	255,000
Colorado	80,000	41,000	75,000	75,000
Nebraska	205,000	100,000	195,000	195,000
Totals	780,000	390,000	740,000	715,000

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

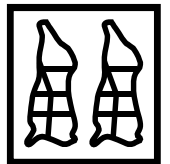
Demand Struggles

Prices for the Choice boxed beef cutout advanced by \$3.42 this week, while Selects were quoted \$1.66 higher for the week. Sharply higher cattle prices over the past couple of weeks took away packer margins and resulted in a higher priced list on Monday.

Coming out of a short holiday week and faced with higher asking prices, the thought was that beef would be sharply higher this week. By mid-week though push lists began to surface from sellers, and by late week buyers were able to purchase product at lower prices as sellers sought to clear dated inventory. This doesn't bode well for cutout prices over the next couple of weeks, until demand begins to improve seasonally.

Next Week: Sellers will seek to clear product by pricing steady at best. Slaughter reductions may occur and softer prices may be the result. Look for Choice boxes trade between \$246 and \$251, Selects from \$232 to \$236. *Duane Lenz*

Beef Complex



Fed Cattle Prices 12-Sep-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	161	N.T.	161	N.T.	75,500	99%
KS	161-162	N.T.	161-162	254	65,000	77%
NE	N.T.	248	N.T.	248	55,000	90%
CO*	N.T.	N.T.	N.T.	N.T.	19,500	100%
CB	157-160	248-252	157-160	248-252	14,000	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

Will Feeder Cattle Follow the Seasonal Pattern?

Feeder Cattle Outlook

The CME Feeder Cattle Index pushed to new highs this week and the index is projected to exceed \$230/cwt in the near future. Record profits in the feedyard segment, cheaper corn and new highs in the live cattle futures contracts are fueling the feeder cattle cash market. However, another driver behind the lofty price levels is the reduction in supply that has been seen over the course of the year. Feeder cattle receipts, year-to-date, are 8.8 percent (559,000 head) below year ago levels and are

continuing to show a downward trend. For stocker operators there has been economic and environmental incentive to hold feeder cattle to heavier weights as the pasture/range conditions are allowing for it. This combination has caused a reduction in the number of feeder cattle available in recent months, supportive to prices.

Feeder cattle are historically high in the cash market, and on a ratio basis when compared to the fed steer price. Historically, on a yearly average, 750-pound feeder steers are 1.14 times the value of the average fed steer price, with the seasonal peak occurring in July. Cheaper corn, reduced supplies and an extended grass season has helped push feeder cattle to a premium of 1.44 times the value of a fed steer this year. The same pattern was seen in 2013 with the ratio peaking later than normal before flattening out for the remainder of the year. The historical trend shows the ratio weakening into the fall. This year is predicted to follow a similar pattern as feeder cattle receipts are expected to increase into the fall. With the fed cattle market predicted to trade in the wide range of the low \$150's to mid-\$160's in the intermediate future, and the feeder/fed ratio flattening out in the 1.44 range, as supplies increase and compete with the fall calf run, feeder cattle would trade between \$219 and \$237.

Bottom Line: Limited feeder cattle supply, cheap corn and cattle feeder profitability has allowed feeder cattle to trade to current levels. Feeder cattle will still be heavily tied to deferred live cattle futures, but look for feeder cattle to trade steady to weak over the next several months as the ratio becomes stretched and supplies increase. *Ethan Oberst*

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.
CENTRAL					
STEERS					
TX	500	800	Choice English X	209.40	JAN
TX	700	700	CH Eng X - DEL	223.00	NOV
IA	150	750	Choice English X	238.00	OCT
WY	150	825	Choice English X	215.00	OCT
CO	100	925	Choice English X	210.00	IMM
CO	200	850	Choice English X	224.00	JAN
WY	400	875	Choice English X	212.50	NOV
NE	100	1050	Choice English X	210.50	IMM
NM	400	825	Choice English X	219.00	OCT
MT	400	835	CH Eng X - NAT	241.00	OCT
CENTRAL					
HEIFERS					
KS	150	700	Choice English X	205.30	DEC
OK	550	700	Choice English X	210.60	NOV
TX	1,200	710	CH Eng X - DEL	211.70	NOV
NE	150	760	Choice English X	217.00	IMM
CO	100	775	Choice English X	214.00	JAN
IA	150	750	Choice English X	220.00	NOV
SOUTH					
STEERS					
AL	150	650	Choice English X	237.00	IMM
AL	150	700	Choice English X	223.75	IMM
AL	500	825	Choice English X	215.75	OCT
GA	250	675	Choice English X	234.00	IMM
GA	250	825	Choice English X	214.50	OCT
SOUTH					
HEIFERS					
AL	150	625	Choice English X	225.25	IMM
GA	150	725	Choice English X	208.00	OCT
Live Cattle Imports, Year-to-Date Totals					
Canada		30-Aug-14	14-YTD	13-YTD	
Feeders		5,873	249,606	178,905	
Slaughter		16,125	477,923	483,281	
Mexico		06-Sep-14	14-YTD	13-YTD	
		22,058	667,415	582,706	

Feeder Cattle Price 12-Sep-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		
STEER							STEER							STEER						
9-10	214-219	210-218	207-212	206-211	205-211	205-212	9-10	200-204	200-216	212-216	213-218	208-212	208-212	9-10	196-200	196-200	192-196	196-200	196-200	206-210
8-9	219-224	218-230	218-223	217-222	210-222	216-223	8-9	217-221	218-226	222-228	230-235	220-224	228-233	8-9	212-216	212-216	207-211	211-215	212-216	211-215
7-8	229-235	231-238	231-237	230-236	215-236	229-237	7-8	233-238	232-238	239-245	240-246	233-238	228-234	7-8	221-226	222-227	218-223	221-226	221-226	224-229
6-7	252-259	250-258	250-259	247-258	221-257	246-257	6-7	238-245	251-262	256-263	252-259	246-253	252-259	6-7	236-243	238-245	234-241	236-243	236-243	235-242
5-6	275-285	271-282	262-273	261-272	244-271	260-273	5-6	256-266	255-278	272-282	278-288	259-269	279-289	5-6	238-248	252-262	238-248	240-250	235-245	245-255
4-5	302-317	300-316	297-309	294-308	295-310	291-307	4-5	298-310	293-317	305-320	305-320	303-315	310-325	4-5	270-282	288-300	271-283	273-285	283-295	270-282
HEIFER							HEIFER							HEIFER						
8-9	209-213	207-216	210-215	208-214	202-214	206-214	8-9	194-198	196-210	215-220	212-216	201-205	210-214	8-9	194-198	194-198	189-193	193-197	193-197	200-204
7-8	218-222	217-221	224-230	223-229	207-229	221-230	7-8	209-214	211-222	214-218	218-224	214-219	214-220	7-8	205-210	209-214	201-206	204-209	204-209	210-215
6-7	229-235	234-240	239-248	238-247	211-246	236-248	6-7	218-225	229-237	231-237	239-245	220-235	236-242	6-7	217-225	223-230	214-221	216-223	216-223	215-222
5-6	244-254	243-254	253-264	250-263	219-262	248-262	5-6	232-242	239-256	246-256	245-255	237-247	249-259	5-6	221-231	226-236	217-227	217-227	215-225	227-237
4-5	283-298	275-293	281-293	278-292	250-291	276-291	4-5	258-270	253-280	275-290	280-295	265-277	275-290	4-5	245-257	258-270	245-257	245-257	240-252	236-248
COWS							COWS							COWS						
util	116-126	110-123	113-121	110-120	109-119	112-122	util	115-124	114-126	112-122	112-122	125-133	111-121	util	110-119	109-119	117-125	118-126	103-113	109-115
cn/cut	112-122	95-115	105-113	100-112	98-111	101-115	cn/cut	109-118	103-121	107-117	107-117	112-118	106-116	cn/cut	103-108	104-114	113-120	114-121	102-112	104-109
bulls	137-147	127-138	125-138	125-138	123-145	126-141	bulls	138-148	135-146	137-147	137-147	145-154	135-145	bulls	128-135	126-136	133-143	136-143	134-144	126-136

West — Feeder cattle prices were \$6 to \$8 higher. Calf prices were \$5 to \$9 higher. Slaughter cow values were steady to \$2 lower. — *Chad Spearman*

Central — Feeder cattle prices ranged from steady to \$4 higher for the week. Calves traded from steady to \$5 higher. Market cows were steady. — *Troy Applehans*

Southeast — Feeder cattle prices were mostly \$3 to \$5 higher for the week. Calves ranged from steady to \$5 higher. Market cows were mixed, ending mostly steady. — *Troy Applehans*



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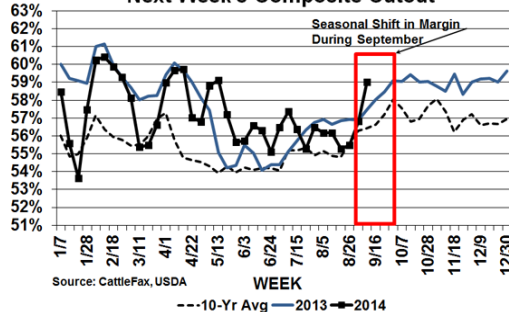
Cattle and Packer Margin on Seasonal Track

The margin between the cattle feeder and the packer has favored the packer during the summer, in spite of record high fed cattle prices. This analysis is driven off of the fed cattle minus the drop credit as a percentage of the next week's composite cutout. This analysis does correlate back to packer margins and it suggests that the packer margins, although positive today, are not nearly as large as they were a few weeks ago. That said, there is nothing surprising with this development as the transfer of margin happens every year during the month of September, as shown in the chart. In addition to the seasonality of the margin shift, there is seasonality in fed cattle slaughter levels – fed cattle slaughter will decline into the fall, just as it has every single year since 1980. The weekly average fed slaughter levels in July and August were 469,000 head, and are projected to be 446,000 head in October and November.

Knowing the two strong seasonal patterns are on track for this fall, begs the question how will this impact the fed cattle market? The 90's lean trimming market and competing meat supplies will be the two major factors driving the fed cattle market into the end of the year, as discussed in last week's CattleFax Update.

Bottom Line: There is nothing out of the ordinary with what is developing with packer margins and what the result of that will be – and that is smaller fed cattle slaughter levels into October and November. *Michael Murphy*

Fed Price (minus drop credit) as a % of Next Week's Composite Cutout



Summary of Activity Sponsored by:



Summary of Activity	This Week 12-Sep-14	Last Week 5-Sep-14	Year Ago 13-Sep-13																								
CattleFax Data																											
Placements	128,172	117,272	136,447																								
Shipments	130,884	108,199	144,438																								
Avg In-Weights	793	736	727																								
USDA Sltr Wgts	1,334	1,331	1,313																								
USDA Str Carc Wgt*	877	880	867																								
Days on Feed	N/A	134	148																								
Carryover Pct	35	35	34																								
Weekly Supply	419,700	434,800	405,300																								
Percent Grade Choice & Higher	68.31	68.98	65.47																								
Prime Grade Pct	4.29	4.10	3.53																								
Choice Grade Pct	64.02	64.88	61.94																								
Select Grade Pct	26.11	25.77	29.55																								
Live Prices (\$/cwt)																											
Slaughter Steers	N/A	162.47	123.09																								
Steer Calf (450#)	301.92	303.27	190.44																								
Steer Calf (550#)	266.00	259.60	172.67																								
Yearling Steer (650#)	249.87	245.11	162.63																								
Yearling Steer (750#)	232.62	230.65	156.55																								
Yearling Steer (850#)	220.95	216.21	149.68																								
Utility and Commercial Cows	118.24	116.45	83.87																								
Canner and Cutter Cows	110.99	110.32	78.59																								
Lean Hogs	100.98	94.94	92.31																								
Omaha Corn (\$/bu)	3.37	3.41	5.06																								
12-City Broiler	107.38	103.47	91.07																								
Dollar Index	84.09	83.85	81.49																								
Meat Prices (\$/cwt)																											
Certified Angus Beef Cutout (UB)	255.24	253.89	198.77																								
Choice Cutout	251.54	248.12	193.85																								
Select Cutout	236.05	234.69	177.24																								
Choice/Select Price Spread	15.49	13.43	16.61																								
Cow Cutout	235.46	234.82	164.14																								
Hide and Offal	16.73	16.81	14.10																								
Pork Cutout	107.53	103.48	96.82																								
Slaughter (000 hd) and Meat Production (Mil lbs)																											
Cattle	592.0	518.0	615.0																								
Hogs	2,053.0	1,780.0	2,170.0																								
Total Red Meat Production	920.1	802.6	933.0																								
Beef Production	481.1	420.5	486.9																								
Pork Production	434.9	378.3	441.2																								
Poultry Production	N/A	716.0	764.0																								
<table> <tr> <th></th><th>CME AVG FDR PRICE</th><th>6 STATE FED STR PRICE**</th><th>KS-TX-OK FED STR**</th></tr> <tr> <td>Thu 09/11</td><td>N/A</td><td>162.74</td><td>162.76</td></tr> <tr> <td>Wed 09/10</td><td>226.98</td><td>162.58</td><td>162.76</td></tr> <tr> <td>Tue 09/09</td><td>226.38</td><td>162.58</td><td>162.76</td></tr> <tr> <td>Mon 09/08</td><td>225.95</td><td>162.58</td><td>162.76</td></tr> <tr> <td>Fri 09/05</td><td>225.41</td><td>162.58</td><td>162.76</td></tr> </table>					CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**	Thu 09/11	N/A	162.74	162.76	Wed 09/10	226.98	162.58	162.76	Tue 09/09	226.38	162.58	162.76	Mon 09/08	225.95	162.58	162.76	Fri 09/05	225.41	162.58	162.76
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**																								
Thu 09/11	N/A	162.74	162.76																								
Wed 09/10	226.98	162.58	162.76																								
Tue 09/09	226.38	162.58	162.76																								
Mon 09/08	225.95	162.58	162.76																								
Fri 09/05	225.41	162.58	162.76																								
* 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 -----		
	30-Aug-2014		31-Aug-2013		2014	2013	Pct Chg
Total Sltr	588		633		20224	21567	DN 6.2
	Pct	No	Pct	No			
Steers	52.6	309	49.4	313	10568	10833	DN 2.4
Heifers	28.7	169	29.5	187	5651	6148	DN 8.1
Cows	16.8	99	19.0	120	3638	4220	DN 13.8
Bulls	2.0	12	2.1	13	367	366	UP 0.3