

CattleFax UPDATE

THE
DECIDING
FACTOR

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U.S. Corn Production Edges Higher

The USDA released the October Crop Production and WASDE reports following a quick \$0.30/bu rally in corn futures this week. The size of the U.S. corn crop was revised higher, but held in check by a reduction in harvested acreage.

U.S. corn production was estimated at 14.475 billion bushels by the USDA, rising 80 million bushels from the September estimate (+0.6%). National average yield was revised 2.5 bu/ac higher to 174.2, but harvested acreage was revised 742,000 acres lower. The agency cited the acreage change based on a review of all available data. The combination of larger beginning stocks (due mainly to reduced feed and residual usage for the 2013/14 market year) coupled with larger production pushed projected corn supply to 15.736 billion bushels, which was up 129 million bushels (+0.8%) compared to last month. The only change to the usage side of the 2014/15 balance sheet was feed and residual usage which

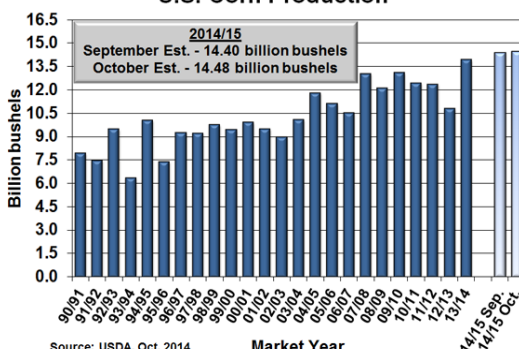
was revised 50

million bushels higher to 5.375 billion. Projected stocks to use increased from last month's 14.7 percent to 15.2 percent. October stocks to use levels are exceeding 15 percent for the first time since the 2007/08 marketing year.

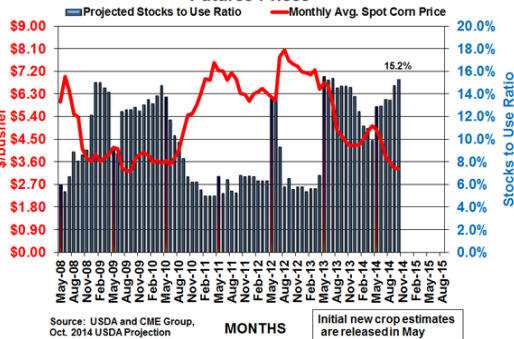
Trade expectations for larger production estimates have been accurate up to this point, however, the risk of corn production being revised sharply higher (by 200-500 million bushels) from current levels should now be reduced dramatically. Therefore, the usage side of the balance sheet will soon begin to draw more market interest.

Bottom Line: Projected U.S. corn stocks to use rose to 15.2 percent – remaining in the expected range of 14 to 16 percent through next spring. Spot futures are expected to find support in the \$3.25-\$3.35/bu range with major resistance in the \$4.00 to \$4.20/bu. range basis the December 2014 and March/May 2015 contracts. Corn futures managed to close on top of the downtrend that has been in place since the spring highs. However, until the market can close on top of key moving averages such as the 40-day, a re-test of recent lows remains possible. *Chad Spearman*

U.S. Corn Production



U.S. Corn Projected Stocks to Use Ratio and Spot Futures Prices



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Market Highlights

The fed cattle market in the South was at \$164 this week which was \$2 higher compared to last week. Limited test in the North had trade at \$258 in the beef which is \$4 to \$6 higher than last week. Live cattle in the North have seen light trade at \$164 with a higher market tone noted for the rest of the showlist. Boxed beef prices were significantly higher this week as tight supplies and higher asking prices supported the price gains. Feeder cattle were steady to \$5 higher. Calves were \$3 to \$5 higher this week. Slaughter cows were weak to \$2 lower as there has been a slight increase in slaughter cow supply. The USDA's October Crop Production report revised the yield higher to 174.2 bushels/acre, increasing the stocks-to-use ratio to 15.2 percent. Corn traded mostly higher for the week, weakening late as rumors of a higher yield were passed around.

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Steer carcass weights are up 4 pounds at 893 pounds and are 26 pounds above last year.

Tight Supplies Ahead

In CattleFax data the placed against supply of fed cattle is very tight through the remainder of 2014. Yes the carryover has grown and carcass weights are record large. But, the combination of the tighter fed supplies and substantially lower cow slaughter levels will leave beef production down nearly 7 percent through the end of the year. The supply side fundamentals remain very friendly for cattle prices on into 2015. Volatility in both the cash and futures will continue moving forward as the market digests a rapidly changing supply environment. Increasing supplies of both pork and poultry will be noted moving forward, leading to increasing total meat supplies in 2015. This, at some point, will be a price limiting factor.

Next Week: Fed supplies will be even to smaller. The beef complex will trade firmer. Market volatility will continue. Fed cattle prices are expected to trade in the low to mid \$160's.

Late October-December: Seasonal and historically tight fed cattle supplies are expected. The amount of cattle that are contracted against this timeframe will be record large as packers attempt to secure their kill needs. Seasonally, as cow slaughter levels increase, the 90 percent beef trim market weakens. But, the rib market improves going into the late year holidays allowing the beef complex to strengthen. Supply/demand fundamentals suggest the fed market will trade

between the upper \$150's and the upper \$160's.

January-February: Placed against fed supplies are larger than year-ago levels. The carryover moving through the fourth quarter will need to be watched closely as it will affect the leverage/bargaining position in early 2015. Carcass weights are expected to remain historically large. Seasonally beef demand/usage softens after the year-end holidays as consumers pay off holiday bills as well as seasonally-larger heating bills. The price relationship between beef and competitive meats will need to be watched closely. Look for the cash market to soften, although as always winter weather could be a price altering factor. *Kevin Good*

Contract and Formula Cattle 10-Oct-2014

	Scheduled in October	Shipped in October	Scheduled in November	Scheduled in December
Kansas	200,000	80,000	200,000	195,000
Texas	300,000	121,500	255,000	255,000
Colorado	80,000	36,000	75,000	75,000
Nebraska	200,000	80,000	200,000	195,000
Totals	780,000	317,500	730,000	720,000

Basis Bids	November	December	January
Steers	even to \$2 over	even to \$2 over	even to \$1.50 over
Heifers	even to \$2 over	even to \$2 over	even to \$1.50 over

Projected Fed-Cattle Marketings (000 Head) 10-Oct-2014

Adj. Wkly	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over	Net %Weeks	Avg Shipments	% of Yr Ago
OCT	759	498	1257	825	38	4.6	125	96
NOV	632	495	1127	651	45	3.8	119	92
DEC	663	533	1195	810	36	4.4	128	90
JAN	674	446	1120	753	36	4.2	125	91
FEB	700	423	1123	737	38	4.0	128	96
MAR	693	442	1136	787	34	4.4	125	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	597	2012	533	586
2014	605	534	553	589	586	626	597	596	539	226		516	596
Weekly Averages (000 hd)													
2013	148	128	135	123	139	150	160	146	148	130	2012	127	146
2014	137	133	132	134	139	149	136	142	128	141	2013	129	142
14%13	93	104	98	109	100	99	85	97	86	108	13%12	102	97
14%5Yr	101	96	103	105	99	101	89	96	89	109	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	702	2012	535	580
2014	605	529	635	542	643	494	495	551	613	270	2013	576	541
Weekly Averages (000 hd)													
2013	131	120	146	121	156	131	136	131	144	153	2012	127	145
2014	138	132	151	123	153	118	113	131	146	169	2013	144	129
14%13	105	110	103	102	98	90	83	100	101	110	13%12	113	89
14%5Yr	107	99	108	107	102	97	81	89	91	108	13%5Yr	105	101

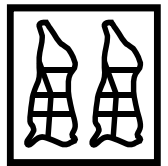
Asking Prices Sharply Higher

Choice boxed beef values gained \$8.61 this week; Selects were quoted \$7.52 higher over the same period. Sellers responded to the higher fed cattle market of a week ago by raising asking prices sharply on Monday, attempting to make up for lost margin.

Even with asking prices higher and the threat of tighter offerings ahead, many buyers remain in a hand to mouth mode, quoting readily available pork and poultry supplies and difficulty selling beef at the retail counter at current price levels. With the weather cooling now and less excess beef around, sellers should be able to continue forcing the cut-out higher over the next 60 days.

Next Week: Asking prices will remain firm and supplies are likely to be modestly lower resulting in a higher cutout again. Look for Choice boxes to trade between \$247 to \$252, Selects from \$234 to \$239.

Duane Lenz



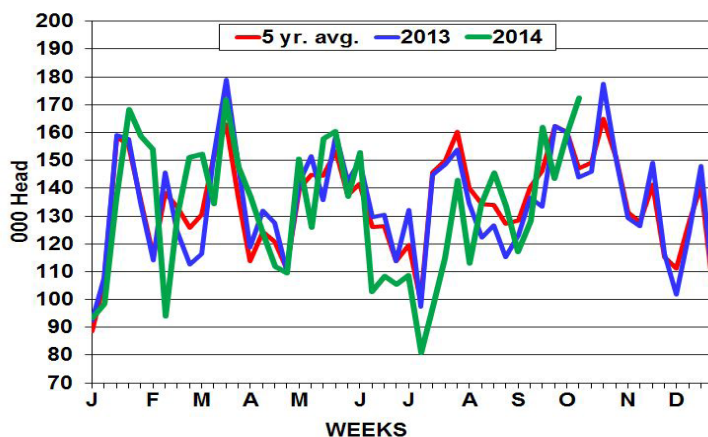
Fed Cattle Prices 10-Oct-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	164	N.T.	164	N.T.	76,500	99%
KS	164	N.T.	164	N.T.	60,000	83%
NE	164-165	257-258	164-165	257-258	85,000	70%
CO*	164	N.T.	164	N.T.	23,000	99%
CB	162-165	256-260	162-165	256-260	33,000	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



Feeder – Fed Spread Weaken Amidst Higher Corn?

Feeder Cattle Outlook

How high are these feeders going to go? It seems like that question arises on a daily basis as it appears as they have no topside. With that being said feeder cattle have traded, for the most part, within a range as defined by the deferred live cattle and corn futures. Looking at the November feeder cattle, March corn and April fed cattle relationship since June; there has only been five days in which the spread between feeder and fed cattle when taking corn into consideration has been outside of the normal trading range.

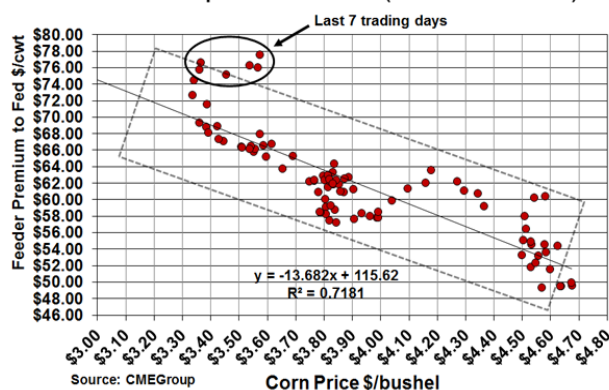
Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
TX	200	765	Choice English X	231.00	NOV
TX	150	760	Choice English X	227.00	DEC
TX	150	760	CH Eng - DEL	228.50	NOV
TX	1,500	650	CH #1 Okies	241.00	DEC
CO	200	490	Choice English X	320.00	NOV
IA	100	625	Choice English X	267.50	IMM
SD	225	950	Choice English X	218.15	IMM
CO	450	890	Choice English X	224.00	IMM
NM	500	750	Choice English X	238.00	IMM
CENTRAL					
HEIFERS					
TX	500	650	Choice English X	224.35	DEC
TX	150	700	Choice English X	219.75	DEC
TX	400	710		220.15	DEC
ND	150	450	Choice English X	315.00	IMM
MT	100	475	Choice English X	315.00	NOV
SD	100	600	Choice English X	275.00	IMM
CO	150	725	CH Eng - DEL	233.00	IMM
SOUTH					
STEERS					
GA	300	675	Choice English X	250.00	IMM
GA	200	725	Choice English X	234.00	IMM
GA	200	850	Choice English X	216.00	IMM
SOUTH					
HEIFERS					
GA	250	650	Choice English X	229.00	IMM
GA	200	700	Choice English X	217.00	IMM
GA	150	800	Choice English X	204.00	IMM
Live Cattle Imports, Year-to-Date Totals					
		27-Sep-14	14-YTD	13-YTD	
Canada					
Feeders		12,542	290,538	209,832	
Slaughter		15,821	532,107	534,282	
		04-Oct-14	14-YTD	13-YTD	
Mexico					
		15,276	720,023	627,516	

However, these ratios are becoming stretched as corn has broken above its five month downward trend recently. With the U.S. corn stocks to use levels expected to range from 14-16 percent through the spring of the year, barring any yield surprises, corn is expected to find support near \$3.30/bu and resistance in the \$4.00 to \$4.20/bu range basis the March/May 2015 contracts. Recently, feeder cattle have stop gaining ground on fed cattle but rather maintained their spread over fed cattle even as corn has increased in value recently, as shown by the oval on the chart. As feeder cattle maintain the same spread even as corn prices increase it extends feeder cattle into an extreme ratio, stretching the feeder cattle market's rubberband. This poses the question of whether or not feeder cattle will follow the trend or if we have broken trend and feeder cattle will continue to trade at lofty levels regardless of corn prices. If the trend remains true then we will see the spread narrow, feeder cattle will still trade based off of the deferred fed cattle market but they will gain slower and break faster as the fed cattle market moves up and down. With the feeder/fed spread at such extreme levels, do not expect the spread to continue to show feeder cattle outgaining live cattle. Protection of equity in feeder cattle remains the top priority, the use of a balanced risk management strategy can provide adequate margin protection.

Bottom Line: If corn continues on its upward trend expect feeder cattle to break faster and gain slower as fed cattle volatility continues. Adding risk protection during times of lofty ratios is well-advised as corrections can be swift and violent. *Ethan Oberst*

Feeder Cattle Prices Sponsored by:

Daily Feeder/Fed Dollar Spread and Corn Price-
Nov. FC/Apr. LC/Mar. Corn (June-Nov. Period)



Feeder Cattle Price 10-Oct-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																				
9-10	217-221	216-222	211-216	210-216	209-215	210-217	9-10	214-218	212-222	224-228	216-220	218-222	215-219	9-10	208-212	211-215	204-208	208-212	208-212	211-215
8-9	234-240	232-239	223-228	221-227	222-237	220-227	8-9	231-235	229-238	236-240	224-229	234-238	225-230	8-9	214-218	217-221	210-214	214-218	214-218	221-225
7-8	252-257	248-255	236-242	235-242	235-254	235-243	7-8	241-246	239-253	241-248	240-246	248-253	241-247	7-8	231-236	239-244	228-233	231-236	231-236	240-245
6-7	261-268	259-267	256-265	255-264	254-266	254-265	6-7	244-251	253-262	248-256	250-257	253-260	252-259	6-7	245-252	246-253	242-249	245-252	245-252	243-250
5-6	287-297	285-295	274-285	273-286	272-290	274-287	5-6	266-276	270-286	287-297	288-298	276-286	285-295	5-6	249-259	262-272	248-258	251-261	250-260	257-267
4-5	330-345	334-350	310-322	309-323	308-345	308-324	4-5	298-310	296-315	342-357	340-355	302-314	337-352	4-5	275-287	298-310	280-292	283-295	278-290	280-292
HEIFER																				
8-9	220-224	222-227	212-217	210-216	211-222	208-216	8-9	208-212	208-224	224-229	218-222	210-214	220-224	8-9	200-204	200-204	196-200	200-204	200-204	203-207
7-8	229-234	231-237	225-231	224-230	224-232	222-231	7-8	220-225	222-236	235-239	224-228	231-236	225-229	7-8	213-218	215-220	210-215	213-218	213-218	220-225
6-7	242-249	239-248	239-248	238-249	237-246	238-250	6-7	233-240	233-243	239-246	247-254	259-246	245-253	6-7	226-233	226-233	222-229	225-232	226-233	223-230
5-6	276-286	274-285	258-269	255-268	256-280	253-267	5-6	243-253	244-264	265-275	265-275	245-255	260-270	5-6	225-235	240-250	224-234	227-237	233-243	231-241
4-5	300-315	300-320	287-299	286-300	285-315	286-301	4-5	270-282	267-300	295-310	290-305	271-283	291-306	4-5	244-256	263-275	248-260	252-264	242-254	241-253
COWS																				
util	100-110	98-126	113-121	110-118	101-119	108-120	util	113-120	108-119	114-124	115-125	114-122	116-126	util	105-115	104-114	107-115	108-116	102-112	107-112
cn/cut	96-106	94-115	105-113	100-110	98-118	97-112	cn/cut	108-114	99-114	109-119	104-114	104-112	107-117	cn/cut	99-104	101-108	103-108	104-109	95-105	102-108
bulls	120-130	120-132	125-138	124-137	115-136	119-140	bulls	127-137	127-140	120-130	139-149	135-145	137-147	bulls	121-131	124-134	129-136	130-137	126-136	124-133
West — Feeder cattle prices were \$2 to \$3 higher. Calf prices were mostly \$4 to \$6 higher. Slaughter cow values were mixed. — Chad Spearman							Central — Feeder cattle traded from \$2 to \$7 higher compared to last week. Calves traded from steady to \$8 higher. Market cows were steady to \$4 lower. — Troy Applehans							Southeast — Feeder cattle traded from steady to \$5 higher compared to last week. Calves traded from steady to \$5 higher as well. Market cows traded \$2 to \$3 lower. — Troy Applehans						



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Fed Market Humbling

Over the past 60 days the fed cattle market has remained far better supported than CattleFax expected. Over this same timeframe per capita net beef supplies have been very close to what CattleFax was forecasting. This leads to two potential conclusions as to why the CattleFax price outlook was too negative. First is that given the relatively correct supply forecast, higher prices than expected means demand has been much stronger than anticipated. Looking at estimated July/August fed demand up 19 percent versus last year and September/October fed demand on pace to be up more than 20 percent is much stronger than expected given the somewhat stale growth in the U.S. economy. A second reason explaining the higher than forecast market given the mostly on track supply forecast is a possible misinterpretation of how significant the supply decline would be to the market. Not only has the absolute number of pounds of beef produced in July/August/September been historically small, but the magnitude of the year-over-year decline has also been one of the largest in the last 30 years – it's very possible that such an extreme situation has had a much larger impact on the market than recent history would suggest coupled with the possible psychology of the market fearing a possible shortage of beef.

Bottom Line: 2014 has certainly thrown a number of curveballs in terms of analyzing the supply and demand fundamentals, but the overall seasonality of fed prices has actually remained mostly intact. From the summer low of \$143.63 in early June to this week's price near \$164, the market has increased 14 percent, which the long term average summer low to fourth quarter high is 13 percent. Whether or not this week's price will stand as the fall high this early in the fourth quarter remains to be seen, but since July the fed market has traded in a volatile range from \$153 to \$165. And if the cash fed market breaches the \$165 level, which has been tested twice already since July, then the market will likely accelerate higher in the fourth quarter. *Tod Kalous*

F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
	27-Sep-2014	28-Sep-2013	2014	2013	Pct Chg		
Total Sltr	573	625	22482	24014	DN 6.4		
	Pct No	Pct No					
Steers	51.7 296	49.4 309	11759	12067	DN 2.6		
Heifers	29.0 166	29.3 183	6285	6847	DN 8.2		
Cows	17.5 100	19.2 120	4027	4685	DN 14.0		
Bulls	1.9 11	1.9 12	411	413	DN 0.5		

Summary of Activity Sponsored by:



Summary of Activity	This Week 10-Oct-14	Last Week 3-Oct-14	Year Ago 11-Oct-13
CattleFax Data			
Placements	172,497	159,734	143,781
Shipments	143,665	125,783	125,294
Avg In-Weights	747	759	737
USDA Sltr Wgts	1,347	1,344	1,325
USDA Str Carc Wgt*	893	889	867
Days on Feed	150	166	161
Carryover Pct	36	36	34
Weekly Supply	429,400	444,200	416,200
Percent Grade Choice & Higher	68.46	68.09	63.78
Prime Grade Pct	4.38	4.38	3.23
Choice Grade Pct	64.08	63.71	60.55
Select Grade Pct	25.12	25.40	30.73
Live Prices (\$/cwt)			
Slaughter Steers	164.09	161.46	127.88
Steer Calf (450#)	317.10	312.01	193.87
Steer Calf (550#)	278.35	273.05	176.12
Yearling Steer (650#)	255.22	252.58	166.46
Yearling Steer (750#)	244.10	238.50	162.92
Yearling Steer (850#)	228.94	226.31	155.16
Utility and Commercial Cows	113.75	115.02	78.65
Canner and Cutter Cows	106.91	108.07	73.14
Lean Hogs	107.93	107.93	.00
Omaha Corn (\$/bu)	2.94	2.72	N/A
12-City Broiler	108.18	108.33	.00
Dollar Index	85.54	85.61	80.94
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	251.94	247.21	200.03
Choice Cutout	247.06	238.45	193.79
Select Cutout	234.85	227.33	178.40
Choice/Select Price Spread	12.21	11.12	15.39
Cow Cutout	232.46	231.31	N/A
Hide and Offal	16.37	16.45	13.58
Pork Cutout	123.45	122.42	97.89
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	562.0	582.0	609.0
Hogs	2,136.0	2,090.0	2,280.0
Total Red Meat Production	918.1	924.3	N/A
Beef Production	460.2	476.4	N/A
Pork Production	453.6	443.4	N/A
Poultry Production	N/A	806.9	782.9
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 10/09	N/A	162.05	162.21
Wed 10/08	238.72	161.63	161.81
Tue 10/07	238.01	161.63	161.81
Mon 10/06	237.57	161.63	161.81
Fri 10/03	236.91	161.63	161.81

* 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)