

CattleFax UPDATE

THE
DECIDING
FACTOR

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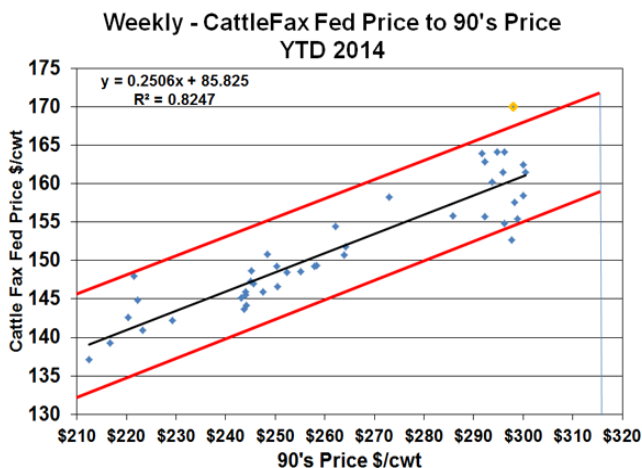
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90's and Fed Cattle

The relationship between the 90's lean beef market and fed cattle values has been highly correlated over time, with this year the correlation even being tighter. The demand for the 90's lean beef trim, which since June 1 has been up over 70 percent, has been incredible. There has been some discussion that the lean beef market has become more inelastic, which suggests demand is less sensitive to the price increases given the relatively tight supply. Whatever the driving forces of the 90's market are, the importance of what the 90's market has meant to the fed cattle market in 2014 should not be underestimated.

Looking into the end of the year based on seasonality of supply, both domestic and imports, along with the price seasonality, the 90's beef trim price could push higher toward \$3.15 per pound. This would likely come at the tail end of the year, as the market would start to anticipate a seasonally tighter supply and seasonally higher market into



the winter time frame. The question becomes how will this impact the fed cattle market? The accompanying chart is an illustration of the correlation between fed cattle values and 90's lean price for 2014 YTD. Obviously, higher 90's values have correlated with higher fed cattle values on average. The point with this chart is the red lines are 2 standard deviations from the average, meaning that 95 percent of the time 90's price and fed cattle fall

Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights are up 3 pounds at 899 pounds and are 29 pounds above last year.

within the described range this year. This was true until this week, as the market fell outside of the 2 standard deviation range. Can the fed cattle market continue to sustain a price level higher than what the data would suggest for 2014?

There are a host of factors that can impact the value of fed cattle between now and the end of the year, and the relationship with 90's is just one of them. Demand for the Choice Rib going into the holiday season, packer margins, packer battle for market share and exports to name a few, not to mention the smaller available fed cattle supply, which from a placed against standpoint November is projected to be one of the smallest in history. These other factors could result in a fed cattle market deviating from the traditional relationship between 90's and fed cattle values.

Bottom Line: Given the current value of 90's and fed cattle values, the price relationship is now pushing above two standard deviations from the average, which would suggest that for fed cattle values to hold at or above these prices, the other market factors are playing a more important role in the market. *Michael Murphy*

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Market Highlights

The fed cattle market in the South was established at \$170, \$6 higher compared to last week. Trade in the North was \$264 to \$266 in the beef, \$6 to \$8 higher this week. Live cattle in the North traded at \$168-\$170, \$5 to \$7 higher for the week. Boxed beef prices were mixed this week as Choice products were stronger and Selects weakened compared to last week. Feeder and calf prices were volatile and traded in a wide range for the week. Feeders ended mixed from \$2 lower to \$5 higher. Calves were steady to as much as \$10 higher. Slaughter cows were mixed from \$3 lower to \$5 higher. Corn added several cents this week, continuing its uptrend. Corn harvest increased to 31 percent complete this week but is still 22 percent behind the long term average for this time period.

CattleFax

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Tightest Supplies Ahead

Fed cattle supplies will be at their tightest levels over the next few weeks, and numbers will remain well below year ago levels through year-end. Packers are expected to continue to scramble for the limited inventory to have enough cattle to fulfill their product commitments, which will be price supportive. Year over year increases are noted in early 2015 for fed cattle, but total beef production will continue to be smaller than year prior due to tight non-fed slaughter. Increases in competitive meat supplies will be noted going into year-end and throughout 2015. At some point this will be a price limiting factor.

Next Week: Fed supplies will be even to smaller. The beef complex will trade stronger. Fed cattle prices are expected to trade near \$170.

November-December: Historically and seasonally tight fed cattle supplies are projected. The amount of cattle that are basis contracted against this timeframe is record large and many cattle have been bought and put back on feed as packers attempt to secure their kill needs. The rib market is expected to have a seasonal rally going into the late year holidays, allowing the beef complex to strengthen. Supply and demand fundamentals suggest the fed market will spend the bulk of the time between \$160 and \$170, with softness late.

January-February: In CattleFax data, more cattle are placed against this timeframe compared to last year. 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 and 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 24-Oct-2014

	Scheduled in October	Shipped in October	Scheduled in November	Scheduled in December
Kansas	230,000	180,000	210,000	210,000
Texas	325,000	259,500	275,000	260,000
Colorado	95,000	76,500	80,000	80,000
Nebraska	230,000	180,000	210,000	210,000
Totals	880,000	696,000	775,000	760,000

Basis Bids	December	January	February
Steers	\$1 to \$2 over	even to \$1.50 over	even to \$1.50 over
Heifers	\$1 to \$2 over	ever to \$1.50 over	even to \$1.50 over

Projected Fed-Cattle Marketings (000 Head) 24-Oct-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
OCT	759	498	1257	845	36	4.6	128	98
NOV	620	475	1096	650	44	3.8	119	92
DEC	687	500	1187	810	35	4.4	128	90
JAN	675	436	1111	753	36	4.2	125	91
FEB	700	414	1114	737	37	4.0	128	96
MAR	694	433	1127	792	33	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	465		2013	516
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	129	2013	129	142
14%13	93	104	98	109	100	99	85	97	86	99	13%12	102	97
14%5Yr	101	96	103	105	99	101	89	96	89	100	13%5Yr	102	100

CattleFax Placements

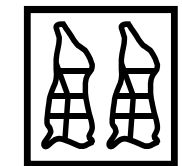
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct		Nov	Dec
Monthly Totals (000 hd)													
2013	575	504	614	532	688	523	599	576	576	702	2012	535	580
2014	605	529	635	542	643	494	495	551	613	556	2013	576	541
Weekly Averages (000 hd)													
2013	131	120	146	121	156	131	136	131	144	153	2012	127	145
2014	138	132	151	123	153	118	113	131	146	155	2013	144	129
14%13	105	110	103	102	98	90	83	100	101	101	13%12	113	89
14%5Yr	107	99	108	107	102	97	81	89	91	99	13%5Yr	105	101

Competitive Proteins Plentiful

The Choice boxed beef cutout was quoted \$.51 firmer for the week with Selects closing the week \$1.38 softer. Demand remained slow at current price levels, even though production levels remain limited.

Pork production is ramping up, and pork prices remain well under beef values, giving consumers an attractive protein alternative. We are only a month away from Thanksgiving and turkeys are entering warehouses, taking up much of the storage space that would typically be allotted to beef. As a result, product buyers remain slow to enter the marketplace. One area that will change may be on beef ribs, as holiday purchasing goes into full swing over the next 30 days.

Next Week: This week's sharply higher fed cattle market will have asking prices higher next week and buyers still need to procure holiday needs, pushing the cutout higher. Look for Choice boxes to sell between \$249 and \$254, Selects from \$233 to \$237.



Duane Lenz

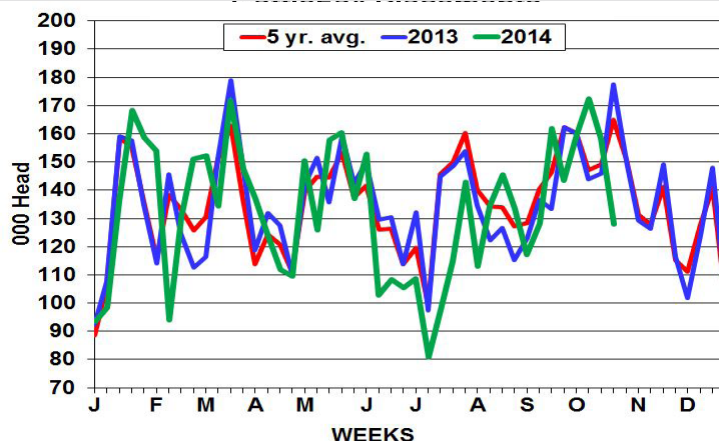
Fed Cattle Prices 24-Oct-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	170	N.T.	170	N.T.	72,500	98%
KS	170	N.T.	170	N.T.	65,000	90%
NE	170	265-266	170	265-266	70,000	60%
CO*	170	N.T.	170	N.T.	20,000	95%
CB	165-170	262-265	165-170	262-265	24,000	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 Spreads Narrow

Since corn futures prices settled on top of the multi-month down trend on October 6th they have continued to trend higher. At the same time, the feeder-fed futures spreads have narrowed as the feeder cattle premiums over live cattle futures have declined by several dollars per hundredweight.

In the October 10th Update, CattleFax shared the feeder-fed spread analysis based on the November '14 feeder cattle futures, April '14 live cattle futures and March '14 corn futures. The daily closing feeder-fed spread prices relative to corn suggested that higher corn prices in the weeks ahead would likely drive the feeder cattle futures premiums over live cattle futures lower. During the ensuing two weeks, this has been the case. For perspective,

Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
OK	250	800	CH English X	226.50	DEC
TX	150	750	CH English X	229.30	DEC
TX	250	800	CH English X	228.50	DEC
CO	1,250	850	CH Eng X - DEL	227.13	JAN
SD	100	585	CH English X	290.82	IMM
CENTRAL					
HEIFERS					
OK	300	700	CH English X	224.50	JAN
TX	200	650	CH English X	229.65	DEC
TX	450	715	CH English X	221.35	DEC
TX	300	700	CH Eng X - DEL	233.50	NOV
TX	200	650	CH Eng X - DEL	224.00	JAN
TX	1,000	700	CH Eng X - DEL	221.85	JAN
IA	300	675	CH English X	240.00	NOV
SOUTH					
STEERS					
GA	100	625	CH English X	253.75	IMM
GA	100	725	CH English X	234.75	IMM
AL	300	850	CH English X	223.25	IMM
SOUTH					
HEIFERS					
GA	100	725	CH English X	214.75	IMM
Live Cattle Imports, Year-to-Date Totals					
	11-Oct-14	14-YTD	13-YTD		
Canada					
Feeders	11,957	316,588	226,035		
Slaughter	13,399	560,193	562,571		
	18-Oct-14	14-YTD	13-YTD		
Mexico					
	21,636	753,641	662,660		

Feeder Cattle Price 24-Oct-2014

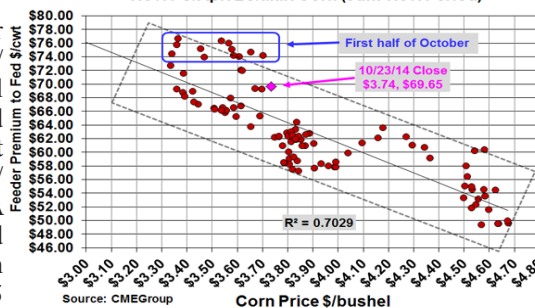
West & Northwest							Central							Southeast						
CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR	ID	TX	KS/MO	ND/SD	NE	OK	IA	AL	AR	FL	GA	LA/MS	KY/TN		
STEER							STEER							STEER						
9-10	218-222	220-224	206-211	205-211	205-211	204-212	9-10	214-218	212-228	228-232	219-223	215-219	220-224	9-10	125-135	126-136	135-145	125-135	134-142	125-135
8-9	232-240	229-234	219-224	218-223	218-230	216-224	8-9	230-234	230-238	235-240	224-228	231-235	224-228	8-9	209-213	210-214	204-208	208-212	208-212	208-212
7-8	253-258	243-252	230-236	229-237	229-237	229-238	7-8	230-234	230-238	235-240	224-228	231-235	224-228	7-8	217-221	217-221	213-217	217-221	217-221	222-226
6-7	259-266	255-265	250-259	249-258	238-257	247-259	6-7	235-240	240-251	243-250	245-250	243-248	243-250	6-7	230-235	235-240	226-231	229-234	229-234	231-236
5-6	295-303	278-303	263-274	262-275	252-272	262-276	5-6	243-250	253-268	262-269	255-262	253-260	250-257	5-6	240-247	239-246	240-247	246-253	238-245	240-247
4-5	330-345	330-360	309-321	308-322	280-319	307-323	4-5	266-276	280-295	296-311	278-288	280-290	275-285	4-5	253-263	264-274	250-260	252-262	255-265	255-265
								293-305	300-316	340-355	326-341	308-320	325-340		283-295	295-307	291-303	293-305	283-295	268-280
HEIFER							HEIFER							HEIFER						
8-9	230-234	211-233	209-214	207-213	208-225	205-213	8-9	206-210	209-221	216-219	228-232	206-210	229-233	8-9	205-209	205-209	199-203	203-207	203-207	200-204
7-8	235-242	228-237	220-226	219-225	219-236	217-226	7-8	215-220	220-234	228-232	230-237	225-230	235-239	7-8	212-217	213-218	208-213	211-216	211-216	211-216
6-7	242-249	239-252	235-244	234-245	233-242	234-246	6-7	228-235	233-248	248-255	245-252	240-247	242-249	6-7	221-228	220-227	215-222	219-226	219-226	221-228
5-6	270-280	270-285	250-261	247-260	248-260	245-259	5-6	240-250	240-270	289-299	264-274	246-256	262-272	5-6	228-238	230-240	226-236	228-238	230-240	225-235
4-5	300-315	290-315	284-296	283-297	280-295	283-298	4-5	263-275	258-300	300-315	292-307	274-286	290-305	4-5	255-267	260-272	251-263	253-265	253-265	238-250
COWS							COWS							COWS						
util	118-128	112-125	110-119	107-118	100-117	107-117	util	110-120	107-117	120-130	115-125	115-124	115-125	util	110-116	100-110	108-116	109-117	100-110	106-113
cn/cut	110-120	105-120	103-111	99-108	96-109	97-109	cn/cut	108-115	98-113	115-125	110-110	106-113	100-110	cn/cut	100-105	95-105	102-109	103-110	90-100	102-107
bulls	127-137	120-140	123-136	119-135	110-134	119-137	bulls							bulls						

West — Feeder cattle prices were \$1 to \$3 lower. Calf prices were mixed from \$3 to as much as \$8 lower. Slaughter cow values were mostly \$1 to \$2 lower. — Chad Spearman

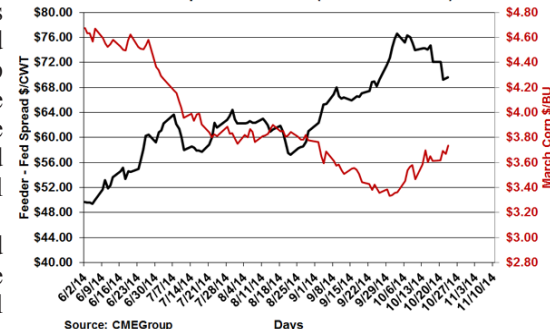
Central — Volatile market this week — wide price swings in both directions. Feeders mostly steady to \$4 higher. Calves mostly steady to \$10 higher. Market cows \$2 lower to \$3 higher. — Troy Applehans

Southeast — Feeder cattle ranged from \$2 lower to \$5 higher compared to last week. Calves traded from steady to \$8 higher. Market cows traded from \$3 lower to \$5 higher. — Troy Applehans

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



Daily Feeder Cattle-Fed Cattle Spread
Nov. FC/Apr. LC/Mar. Corn (Jun.-Nov. Period)



Feeder Cattle Prices Sponsored by:

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Cattle-on-Feed Remains Seasonal

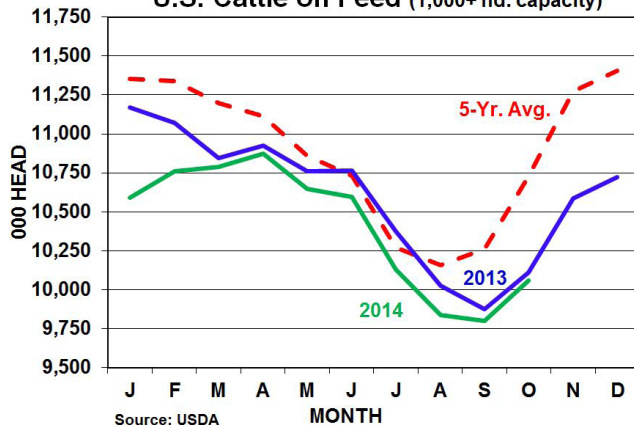
Cattle-on-feed in October is 1 percent lower than in 2013. September marketings are down 1 percent from last year, with cattle placed on feed higher by 1 percent percent. There were 4.4 marketing weeks this September compared to just 4 in 2013. Federally inspected steer and heifer slaughter is down 1 percent from September of last year.

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

	Average 2009-2012	2013	2014	% year ago
COF Sept. 1	10281	9876	9799	99.2
Placed	2321	1988	2007	101
Marketed	1754	1692	1683	99
Other Dis.	58	62	65	105
COF Oct. 1	10790	10110	10058	99.5

For most of the year, placements and the number of cattle on feed have been just underneath 2013 levels. Increasing fall placements are projected to leave 2014 cattle on feed on par with last year. Weaker year-over-year marketings have kept cattle in pens longer, leading to a larger number of cattle on feed for over 120 days and supporting record carcass weights. *Marcus Brix*

U.S. Cattle on Feed (1,000+ hd. capacity)



F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
Total Slttr	11-Oct-2014		12-Oct-2013		2014	2013	Pct Chg
	564		610		23623	25262	DN 6.5
	Pct	No	Pct	No			
Steers	50.7	286	48.7	297	12344	12680	DN 2.6
Heifers	29.3	165	29.8	182	6618	7224	DN 8.4
Cows	18.1	102	19.5	119	4228	4920	DN 14.1
Bulls	2.0	11	2.0	12	433	437	DN 0.9

Summary of Activity Sponsored by:



Summary of Activity	This Week 24-Oct-14	Last Week 17-Oct-14	Year Ago 25-Oct-13
CattleFax Data			
Placements	127,911	158,394	177,685
Shipments	112,879	126,579	145,324
Avg In-Weights	720	741	717
USDA Slttr Wgts	1,353	1,350	1,335
USDA Str Carc Wgt*	899	896	870
Days on Feed	171	142	155
Carryover Pct	34	35	33
Weekly Supply	398,200	409,600	418,500
Percent Grade Choice & Higher	68.61	68.32	65.82
Prime Grade Pct	4.77	4.51	3.64
Choice Grade Pct	63.84	63.81	62.18
Select Grade Pct	25.90	26.03	28.58
Live Prices (\$/cwt)			
Slaughter Steers	169.74	164.09	132.44
Steer Calf (450#)	315.94	312.77	201.97
Steer Calf (550#)	278.90	278.44	180.67
Yearling Steer (650#)	254.34	255.90	169.92
Yearling Steer (750#)	241.83	242.00	165.24
Yearling Steer (850#)	228.23	226.88	158.96
Utility and Commercial Cows	115.49	112.18	79.43
Canner and Cutter Cows	108.01	106.26	73.89
Lean Hogs	96.06	104.66	88.63
Omaha Corn (\$/bu)	3.23	3.09	4.33
12-City Broiler	105.28	107.63	90.17
Dollar Index	85.69	85.02	79.24
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	257.20	257.22	208.86
Choice Cutout	249.43	248.92	201.07
Select Cutout	233.54	234.92	185.68
Choice/Select Price Spread	15.89	14.00	15.39
Cow Cutout	233.94	233.52	156.61
Hide and Offal	16.48	16.24	13.98
Pork Cutout	100.54	113.72	94.30
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	576.0	565.0	619.0
Hogs	2,141.0	2,187.0	2,259.0
Total Red Meat Production	934.4	932.7	964.3
Beef Production	474.2	463.6	493.2
Pork Production	455.9	465.0	466.7
Poultry Production	N/A	797.3	786.2
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 10/23	N/A	169.61	170.82
Wed 10/22	239.34	164.11	164.00
Tue 10/21	240.46	164.02	163.98
Mon 10/20	240.80	164.01	163.98
Fri 10/17	241.84	164.01	163.98

* 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)