

CattleFax UPDATE

THE
DECIDING
FACTOR

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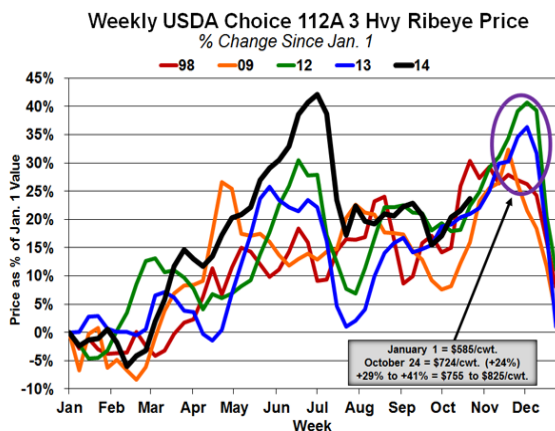
Revalor-XS
(trenbolone acetate and estradiol)

Beef Complex Hinges on Holiday Buying

The share of revenue the feedyard is taking away from the packer is among the highest levels in history – comparable to fall 2003 and winter 2012. Last week's fed cattle price near \$170/cwt is likely to capture 61 to 62 percent of this week's composite boxed beef cutout price after subtracting the hide and offal value.

Beef prices need to push beyond current levels for the cattle complex to build on record-high prices. The fastest way that can happen is through increased holiday buying of the ribeye and tenderloin. End meats have found support in recent weeks—distancing themselves from lean trimmings values. Stronger middle meat prices will depend on holiday demand.

Wholesale boneless ribeye and tenderloin prices are only 4 and 14 percent higher than last year, respectively. Many wholesale round, chuck and trim prices are 30 to 40 percent higher than a year ago. There will be a seasonal push higher to ribeye and tenderloin prices this fall, but historical data suggests prices will be disappointing from the summer lows to fall highs.



Weekly average boneless ribeye prices rallied 43 percent from January 1 to a July 4 high at \$8.32/lb. It was one of the faster and more sustained price rallies through the first six months of a year on record. As middle meat values declined into late summer, ribeye prices remained 20 percent higher than where they started the year. Prices are improving from those levels this fall, but the market has lost the robustness it had earlier in the year. Rather than pushing to more than \$9/lb, fall ribeye prices may simply revisit the summer highs. The

same can be said for the tenderloin market, which may face resistance past \$13.50/lb in the wholesale market.

Middle meat prices can gain momentum if supplies shrink considerably during peak demand periods. The percentage of fed cattle grading USDA Choice is 2.7 percentage points higher than last year through October – keeping the supply of higher quality middle meats close to year ago levels. CattleFax expects that to change this fall with Choice carcasses declining around 10,000 head per week compared to last year. Meat buyers have been aggressive in negotiating out-front purchases, and that could leave people in the spot market bidding wildly higher just to keep inventory on hand during the holidays.

Bottom Line: The middle meat performance outlined above projects a USDA composite cutout weekly high of \$253 to \$255/cwt by mid-to-late November. That would translate to fed cattle prices adding \$1 to \$2/cwt from current levels based on the existing leverage environment. A supply shock during peak demand or a continuation of the current feedyard-packer leverage situation could push prices higher. *Lance Zimmerman*

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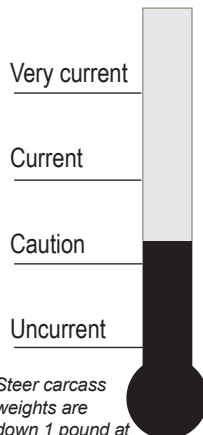
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Market Highlights

The fed cattle market in the South was established at \$168 this week, \$2 lower compared to the previous week. The fed cattle market in the North was not fully established at press time but a weaker tone is noted. Boxed beef prices were stronger this week as negative packer margins pushed asking prices higher. Feeder cattle were steady to \$4 lower, except in the Southeast where they were steady to \$3 higher. Calves were in a wide range from steady up to \$10 higher. Slaughter cows were steady to \$4 lower for the week. Corn closed near 20 cents higher for the week and harvest continues to run behind schedule at 46 percent complete.

Currentness



Steer carcass weights are down 1 pound at 898 and are 23 pounds above last year.

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Packer Margins Key

Over the next 30 days fed cattle supplies will be at their tightest levels, which will continue to be price supportive. At the same time the beef complex seasonally firms in response to the holiday rib business. This beef rally is needed to keep the fed market near present levels. Presently packer margins are negative enough to result in reduced kill levels, which with their large supply of captive cattle will keep their cash participation at a low level. Once packer margins improve, slaughter levels will pick back up and improved price discovery will be noted. Longer term, year over year increases are projected 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. This at some point will be a price limiting factor.

Next Week: Fed supplies will be near even. The beef complex will trade steady to stronger. Fed cattle prices are expected to trade in the upper \$160's.

November-December: Historically, as well as seasonally, tight fed cattle supplies will be noted. 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 have attempted to secure their kill needs. This will limit the cash trade. 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 trade near \$170 early, \$160 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 31-Oct-2014

	Scheduled in October	Shipped in October	Scheduled in November	Scheduled in December
Kansas	230,000	230,000	210,000	210,000
Texas	330,000	330,000	275,000	265,000
Colorado	98,000	98,000	85,000	80,000
Nebraska	230,000	230,000	210,000	210,000
Totals	888,000	888,000	780,000	765,000

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	even to \$1.50 over	even to \$1.50 over

Projected Fed-Cattle Marketings (000 Head) 31-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	819	36	4.6	124	95
NOV	682	451	1132	666	44	3.8	122	95
DEC	679	523	1202	814	36	4.4	129	91
JAN	678	448	1126	751	37	4.2	125	91
FEB	700	432	1131	742	38	4.0	129	97
MAR	693	445	1138	789	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	560		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	122	2013	129	142
14%13	93	104	98	109	100	99	85	97	86	94	13%12	102	97
14%5Yr	101	96	103	105	99	101	89	96	89	95	13%5Yr	102	100

CattleFax Placements

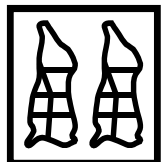
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct		Nov	Dec
Monthly Totals (000 hd)													
2013	575	504	614	532	688	523	599	576	576	702	2012	535	580
2014	605	529	635	542	643	494	495	551	613	679	2013	576	541
Weekly Averages (000 hd)													
2013	131	120	146	121	156	131	136	131	144	153	2012	127	145
2014	138	132	151	123	153	118	113	131	146	148	2013	144	129
14%13	105	110	103	102	98	90	83	100	101	97	13%12	113	89
14%5Yr	107	99	108	107	102	97	81	89	91	95	13%5Yr	105	101

Buyers Stay Short Bought

Choice boxed beef cutout values closed the week \$3.92 higher, while Selects for the same period gained \$5.87. Asking prices were stout in the face of historically high fed cattle prices and negative packer margins.

Even though beef prices are going up, many buyers have stayed hand to mouth, reluctant to add inventory fearing both consumers reaction to the high prices as well as not wanting to be caught with a high priced inventory if values would begin to drop. As a result, sellers currently have inventory on hand for many cuts, which is limiting their ability to push prices high enough to cover the cattle losses, and over time could limit the upside potential for the cutout moving forward.

Next Week: Asking prices will remain higher, we will see if buyers begin to take a position going forward, especially for holiday items. The result could be a cutout that trades even to modestly higher. Choice boxes are anticipated to trade from \$252 to \$256; Selects between \$238 and \$242. *Duane Lenz*

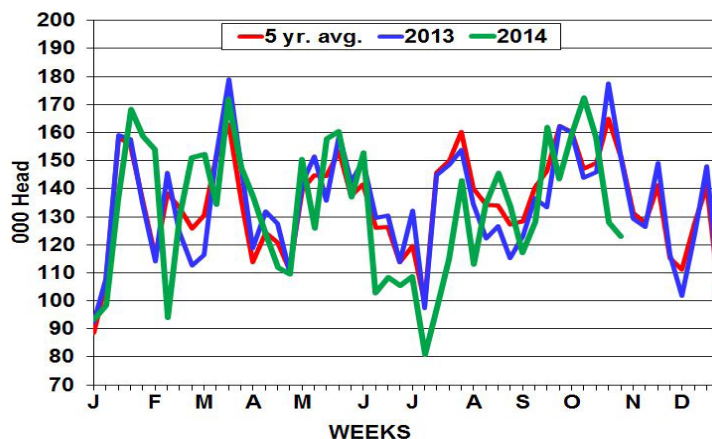


Fed Cattle Prices 31-Oct-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	168	N.T.	168	N.T.	72,000	99%
KS	168	N.T.	168	N.T.	53,000	94%
NE	N.T.	N.T.	N.T.	N.T.	0	0%
CO*	N.T.	N.T.	N.T.	N.T.	21,500	100%
CB	N.T.	N.T.	N.T.	N.T.	0	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



Buy, Sell or Hold?

It is fall weaning time. That means cow-calf producers are deciding whether calves are going to the sale barn or sticking around for a few extra pounds of gain. And buyers are penciling breakeven prices to decide if the current market offers an opportunity to run cattle through the winter or spring.

The idea of adding cheaper weight to calves is more enticing to cattle producers now than any time in the last five years as costs of gain have plummeted. The challenge is that calf prices are at record-high values, and the risk may not be worth the return.

Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
OK	250	760	Choice English X	236.00	DEC
TX	250	750	Choice English X	227.15	DEC
TX	2,200	755	Choice English X	228.70	JAN
TX	250	750	Choice English X	226.45	APR
NE	100	825	Choice English X	227.00	JAN
CO	100	810	Choice English X	230.00	IMM
MT	100	625	Choice English X	260.00	DEC
WY	100	580	Choice English X	281.00	IMM
CENTRAL					
HEIFERS					
OK	200	680	Choice English X	232.50	DEC
OK	200	650	Choice English X	221.50	JAN
TX	600	650	Choice English X	225.80	JAN
ND	100	550	Choice English X	270.25	NOV
SOUTH					
STEERS					
GA	100	625	Choice English X	248.50	IMM
GA	100	725	Choice English X	242.35	IMM
GA	350	775	Choice English X	231.00	IMM
SOUTH					
HEIFERS					
GA	150	525	Choice English X	246.15	IMM
GA	100	625	Choice English X	237.50	IMM
GA	150	725	Choice English X	217.25	IMM
GA	250	825	Choice English X	212.00	IMM
Live Cattle Imports, Year-to-Date Totals					
Canada		18-Oct-14	14-YTD	13-YTD	
Feeders		9,779	326,390	231,481	
Slaughter		16,397	576,590	577,365	
		25-Oct-14	14-YTD	13-YTD	
Mexico		14,383	768,024	673,576	

Feeder Cattle Price 31-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	221-226	219-224	207-212	206-211	206-213	204-212	9-10	214-218	214-223	225-229	219-223	217-221	220-224	9-10	211-215	211-215	207-211	211-215	211-215	209-213
8-9	233-240	226-238	226-231	216-230	214-230	214-222	8-9	228-232	230-235	228-232	224-228	231-235	236-240	8-9	222-226	222-226	218-222	222-226	222-226	223-227
7-8	243-249	242-250	234-240	222-239	220-239	220-229	7-8	236-241	234-247	241-248	245-250	237-242	240-245	7-8	231-236	235-240	227-232	231-236	230-235	231-236
6-7	262-269	250-267	245-254	244-262	229-252	251-263	6-7	242-249	248-265	268-275	257-264	250-257	247-254	6-7	240-247	240-247	237-244	241-248	239-246	236-243
5-6	287-297	275-295	264-275	263-274	260-273	261-275	5-6	273-283	280-298	287-297	275-285	284-294	275-285	5-6	258-268	265-275	253-263	255-265	255-265	250-260
4-5	340-355	305-355	316-328	307-327	285-326	304-320	4-5	293-305	300-330	330-345	320-335	313-325	320-335	4-5	291-303	298-310	296-308	298-310	288-300	268-280
HEIFER																				
8-9	222-230	210-229	212-217	204-216	211-219	202-210	8-9	206-210	209-216	217-221	226-230	211-215	220-224	8-9	206-210	207-211	202-206	206-210	206-210	201-205
7-8	232-237	227-235	219-225	218-226	218-230	218-227	7-8	215-220	221-234	230-234	230-237	225-230	224-230	7-8	212-217	215-220	208-213	212-217	211-216	211-216
6-7	237-244	237-244	233-242	232-251	230-240	240-252	6-7	228-235	233-244	250-257	247-254	234-241	234-240	6-7	222-229	222-229	221-228	225-232	222-229	214-221
5-6	265-275	255-275	241-252	240-267	239-260	254-268	5-6	240-250	240-270	272-282	255-265	250-260	253-263	5-6	229-239	238-248	230-240	232-242	228-238	225-235
4-5	300-315	290-315	283-295	282-301	275-293	287-302	4-5	275-287	258-302	300-315	285-300	275-287	275-290	4-5	255-267	263-275	251-263	253-265	253-265	238-250
COWS																				
util	115-125	105-127	106-114	107-119	104-115	106-116	util	110-120	103-118	117-127	119-129	112-119	118-128	util	107-113	100-110	104-114	105-115	98-108	103-109
cn/cut	110-120	100-110	95-103	97-107	85-101	92-105	cn/cut	107-114	92-113	105-115	100-110	104-109	105-115	cn/cut	99-104	95-105	100-107	101-108	88-98	98-105
bulls	135-145	120-140	119-132	121-137	115-130	122-140	bulls	125-135	124-136	120-130	117-127	130-138	120-130	bulls	124-130	121-131	128-134	129-135	125-135	118-128
West — Feeder cattle prices were mixed but mostly \$2 higher. Calf prices were steady to \$4 higher. Slaughter cows were mostly steady this week. — <i>Ethan Oberst</i>							Central — Feeder cattle were mostly steady to \$4 lower compared to last week. Calves traded in a wide range from steady to \$10 higher. Market cows were steady to \$3 lower. — <i>Troy Applehans</i>							Southeast — Feeder cattle prices steady to \$3 higher compared to last week. Calves traded from steady to \$5 higher. Market cows traded from \$2 lower to \$4 lower. — <i>Troy Applehans</i>						

Feeder Cattle Outlook

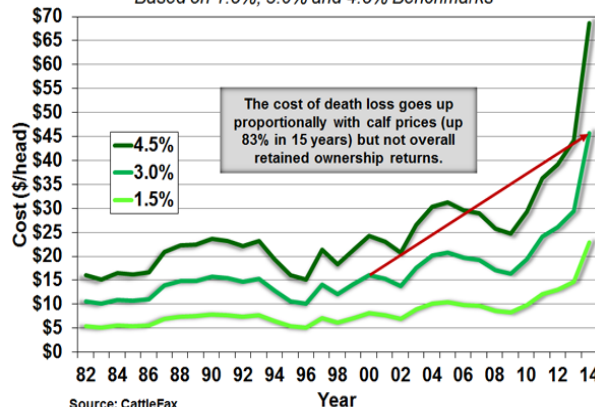
Consider a scenario that takes October 550-pound steers and sells them at 750-pounds in February. Excluding the five high-corn price years (1996-97, 2009-10, 2010-11, 2011-12 and 2012-13), the market has paid producers an average value of \$0.60/lb for the additional winter gain, and 80 percent of the time the additional weight was worth between \$0.25 and \$0.95/lb. The U.S. average 550-pound steer calf price is \$277/cwt over the last three weeks.

At a \$0.60/lb feed cost of gain, the breakeven sales price for a 750-pound steer in late February is \$219/cwt. March feeder cattle futures this week are around \$226/cwt, and the 10-year average basis suggests cash prices would be \$1 to \$2/cwt less. That leaves \$40 to \$50 per head of margin to cover overhead, hedging, transportation, health, interest and death loss costs.

In today's market environment, that is probably not enough of an incentive to keep a calf on the ranch. The biggest production cost of the four is likely death loss, especially if winter weather becomes a factor. Each 1 percent of death loss is going to cost around \$15-\$16 per head, and a 3 percent death loss accounts for all of the profit margin left in those 550-pound calves.

Bottom Line: Producers have a variety of factors to consider when it comes to retained ownership, but the current market is not offering much of a margin-based incentive. While the record-high prices being paid are the single biggest reason for optimism in the cattle business, they also pose one of the largest production risks to retained ownership. *Lance Zimmerman*

550-lb. Steer Death Loss Cost Per Head
Based on 1.5%, 3.0% and 4.5% Benchmarks



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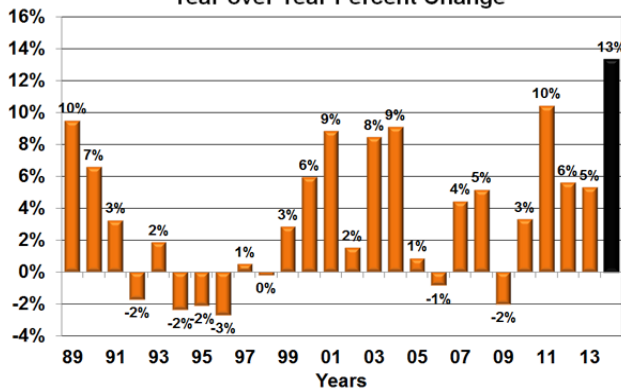
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Higher Retail Beef Price/Strong Demand

The USDA reported retail beef prices hit another new record high in September with the All-Fresh retail beef price at \$5.92/lb and the Choice retail beef price at \$6.26/lb. Both price series are on pace to average 13 percent higher in 2014 compared to 2013, which would be a record high increase for the All-Fresh price series and a near record high for the Choice retail price series since 1980. In 2003, the Choice retail beef price also increased 13 percent and prior to 1980 the Choice retail price did have 3 years in which it increased by 20 percent or more, but this year's run of higher prices is still a considerable feat even considering how much per-capita net beef supply has declined in 2014.

Per-capita net beef supply in 2014 is on pace to be down over 6 percent compared to last year, which may not seem like much, but historically only two years since 1970 experienced as big or bigger year over year declines, 1979 and 1987. And while in both of those years retail prices increased significantly it was not by enough to suggest retail beef demand was growing, in fact retail beef demand declined 9 percent in 1979 and 8 percent in 1987. This year that is not the case, retail price has increased by more than enough to ration the significant drop in beef supply and maintain retail beef demand with year ago levels. In fact, retail beef demand is likely going to be up 4 to 5 percent for the year. *Tod Kalous*

USDA All Fresh Retail Beef Price
Year over Year Percent Change



F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----			
	18-Oct-2014	19-Oct-2013	2014	2013	Pct Chg			
Total Sltr	564	619	24187	25881	DN 6.5			
	Pct	No	Pct	No				
Steers	50.0	282	49.9	309	12626	12989	DN 2.8	
Heifers	30.1	170	29.2	181	6788	7404	DN 8.3	
Cows	18.1	102	19.2	119	4330	5039	DN 14.1	
Bulls	2.0	11	1.9	12	444	449	DN 1.1	

Summary of Activity Sponsored by:



Summary of Activity	This Week 31-Oct-14	Last Week 24-Oct-14	Year Ago 1-Nov-13
CattleFax Data			
Placements	123,004	127,911	150,387
Shipments	94,573	112,879	122,830
Avg In-Weights	712	720	697
USDA Sltr Wgts	1,355	1,353	1,336
USDA Str Carc Wgt*	898	899	875
Days on Feed	N/A	171	154
Carryover Pct	36	34	34
Weekly Supply	389,000	398,200	402,300
Percent Grade Choice & Higher	68.42	68.61	65.88
Prime Grade Pct	4.76	4.77	3.74
Choice Grade Pct	63.66	63.84	62.14
Select Grade Pct	26.06	25.90	28.92
Live Prices (\$/cwt)			
Slaughter Steers	N/A	169.74	132.31
Steer Calf (450#)	316.48	315.94	204.61
Steer Calf (550#)	278.38	278.90	181.79
Yearling Steer (650#)	253.39	254.34	168.78
Yearling Steer (750#)	239.19	241.83	164.45
Yearling Steer (850#)	229.02	228.23	159.03
Utility and Commercial Cows	114.11	115.49	78.68
Canner and Cutter Cows	104.89	108.01	73.10
Lean Hogs	89.27	96.06	85.63
Omaha Corn (\$/bu)	3.31	3.23	4.21
12-City Broiler	103.73	105.28	88.98
Dollar Index	86.14	85.69	80.74
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	260.84	257.20	212.53
Choice Cutout	253.35	249.43	205.17
Select Cutout	239.41	233.54	190.09
Choice/Select Price Spread	13.94	15.89	15.08
Cow Cutout	233.71	233.94	156.58
Hide and Offal	16.41	16.48	14.30
Pork Cutout	97.84	100.54	94.05
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	553.0	576.0	622.0
Hogs	2,193.0	2,141.0	2,269.0
Total Red Meat Production	928.0	934.4	973.0
Beef Production	455.6	474.2	497.0
Pork Production	467.8	455.9	471.3
Poultry Production	N/A	823.2	789.1
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 10/30	N/A	169.21	170.00
Wed 10/29	239.30	169.74	170.00
Tue 10/28	238.83	169.74	170.00
Mon 10/27	238.51	169.80	170.00
Fri 10/24	238.20	169.80	170.00

* 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)