

# CattleFax UPDATE

THE  
DECIDING  
FACTOR

NOVEMBER 7, 2014 | ISSUE 45 | VOL. XXXXVI

Copyright 2014 Cattle Marketing Information Service, Inc. Not to be reproduced in total or in part.

This Issue of CattleFax Proudly Sponsored by

**Revalor-XS**  
(trenbolone acetate and estradiol)

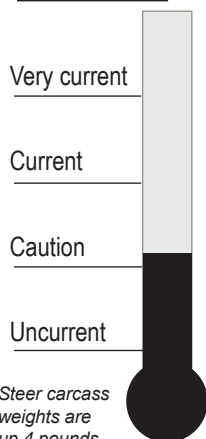
## Factors to Watch

The fed cattle market has had an incredible rally from the summer low to the fourth quarter high, so far, of nearly 20 percent – which outside of 1985 and 2003, an 18-22 percent rally occurred only 4 other times. The market is now looking at what to do for an encore – as seasonally the market tends to move higher into the spring from a fourth quarter low. That being said, there are some factors from both a supply and demand perspective that should be closely monitored:

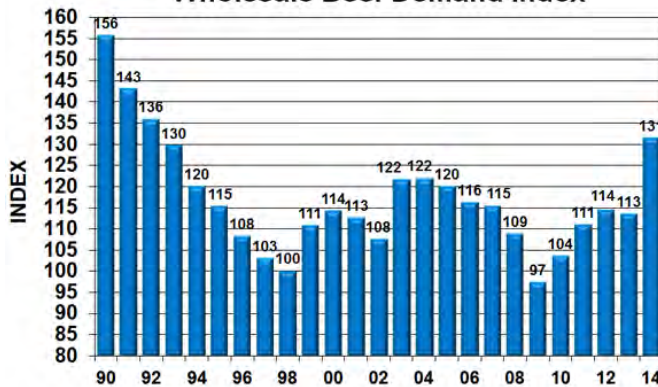
- ▶ The CattleFax carryover percentage levels for the fourth quarter. Current projections are expected to be 40 percent, which would be the third largest in 25 years. Only 1991, the cycle high (41%) and 2001 (42%) were larger. CattleFax shipments as a percentage of the beginning inventory during October were the second smallest in 25 years – 2001 was the smallest.
- ▶ Steer carcass weights are currently at 902 pounds. Since September 1 steer carcass weights have seen the fifth largest increase, with the most recent data reported as of October 25th. As a perspective, if steer carcass weights were to increase to 906 pounds it would be the second largest increase, measured from September 1, in the last 25 years.
- ▶ The CattleFax fed steer price, minus the drop credit, as a percentage of wholesale beef price for the month of October averaged on top of 60 percent, which is the first time in 25 years. CattleFax estimated packer margins during the month of October were the second worst in 25 years – 2007 was the worst.
- ▶ The CattleFax fed steer price, minus the drop credit, as a percentage of the All-Fresh retail price during October was the second highest to 1992 in the last 25 years.
- ▶ The spot weekly live cattle futures momentum is as overbought technically as it has been in 25 years, outside of the fall of 2003.
- ▶ The wholesale beef demand index, as the chart illustrates, is at the highest level it has been in nearly 20 years.

These are factors in the market that must be watched closely. The market typically would have a correction into the end of the year, before starting to grind higher from mid-to-late December into the New Year. There are a lot of positives in the marketplace, but the aforementioned factors should not be ignored. *Michael Murphy*

### Currentness



### Wholesale Beef Demand Index



Source: USDA, KSU, 2014 CattleFax projection based on deflated prices

This Week in Brief is sponsored by:



Your industry leading verification solution.

www.imiglobal.com info@imiglobal.com 866-395-5883

### Market Highlights

The fed cattle market in the South was \$167 this week, \$1 lower compared to the previous week. The fed cattle market in the North, while not fully established as of press time, was from \$165 to \$167, \$1 to \$3 lower than last week and on a dressed basis at \$260 to \$263, \$1 to \$3 lower for the week. Boxed beef prices were softer this week as demand is still waiting for holiday buying to start. Feeder cattle were mostly steady with instances of \$2 higher. Calves were also steady with instances of \$4 higher. Slaughter cows were mixed, from \$2 higher to \$2 lower. Corn maintained a sideways trading range and closed several cents lower for the week. Corn harvest is at 65 percent this week compared to the long-term average of 77 percent over the same time period.

**CattleFax**  
2014 SEMINARS

**CATTLEFAX 2015  
OUTLOOK & STRATEGIES**

Denver, CO December 2

A FEW SEATS STILL AVAILABLE

~ SIGN UP TODAY ~

[www.cattlefax.com/meetings.aspx](http://www.cattlefax.com/meetings.aspx)  
or Call 800.825.7525

# Supplies Friendly, Demand Questionable

The supply side of the market remains very positive, with fed cattle numbers presently at their tightest levels and projected to remain very manageable through year-end. This will continue to be price supportive. On the demand side the beef complex has been disappointing over the last few weeks, which has left packers with negative margins. Seasonally, the beef complex should rally over the next few weeks due to holiday rib buying, but increasing supplies of lower priced pork and poultry will keep a lid on values. Longer term, continued year over year declines in beef production are projected in 2015, mainly on the non-fed side – which will support fed prices at historically strong levels.

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

**Mid November-December:** Historically and 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 slaughter needs. This will limit the cash trade volume. The rib market is expected to have a seasonal rally going into the late year holidays, allowing the beef complex to show some strength. Supply and demand fundamentals suggest the fed market will trade in the mid-to-upper \$160's early, near \$160 late.

## Projected Fed-Cattle Marketings (000 Head) 07-Nov-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
NOV	685	464	1149	651	45	3.8	119	92
DEC	623	533	1156	807	34	4.4	128	90
JAN	699	406	1105	754	35	4.2	125	91
FEB	733	406	1139	742	38	4.0	129	97
MAR	689	455	1143	786	35	4.4	125	95
APR	702	414	1116	791	33	4.4	125	93

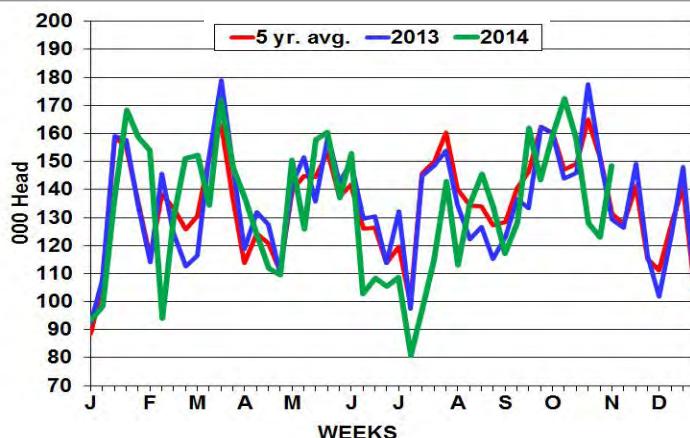
## CattleFax Shipments

	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	592	597	516	586
2014	605	534	553	589	586	626	597	596	539	560	122	596
<b>Weekly Averages (000 hd)</b>												
2013	148	128	135	123	139	150	160	146	148	130	129	146
2014	137	133	132	134	139	149	136	142	128	122	122	142
14%13	93	104	98	109	100	99	85	97	86	94	95	97
14%5Yr	101	96	103	105	99	101	89	96	89	95	95	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	576	702	576	580
2014	605	529	635	542	643	494	495	551	613	679	148	541
<b>Weekly Averages (000 hd)</b>												
2013	131	120	146	121	156	131	136	131	144	153	144	145
2014	138	132	151	123	153	118	113	131	146	148	148	129
14%13	105	110	103	102	98	90	83	100	101	97	103	89
14%5Yr	107	99	108	107	102	97	81	89	91	95	108	101

## CattleFax Placements



## Fed-Cattle Outlook

January-February: Placed against supplies against this timeframe compared to last year are near even, but if the carryover moving through year-end does not improve increasing supplies will be noted. In addition, carcass weights are expected to remain historically large. This combination could result in a decrease in leverage/bargaining position. 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 into January, although as always winter weather could be a price altering factor. *Kevin Good*

## Contract and Formula Cattle 07-Nov-2014

	Scheduled in November	Shipped in November	Scheduled in December	Scheduled in January
Kansas	210,000	52,000	210,000	200,000
Texas	275,000	69,500	255,000	260,000
Colorado	85,000	19,500	80,000	75,000
Nebraska	210,000	51,000	210,000	200,000
Totals	780,000	192,000	755,000	735,000
<b>Basis Bids</b>	<b>December</b>	<b>January</b>	<b>February</b>	
Steers	\$1 over	even to \$2 over	even to \$2 over	
Heifers	\$1 over	even to \$2 over	even to \$2 over	

## Fed Cattle Prices 07-Nov-2014

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	N.T.	N.T.	N.T.	N.T.	68,000	100%
KS	167	N.T.	167	N.T.	56,000	89%
NE	167-168	N.T.	167-168	N.T.	75,000	70%
CO*	166.50-168	N.T.	166.50-168	N.T.	20,500	93%
CB	165-167	260-263	165-167	260-263	12,500	0%
PNW*	N.T.	N.T.	N.T.	N.T.	0	0%
SW	N.T.	N.T.	N.T.	N.T.	0	0%

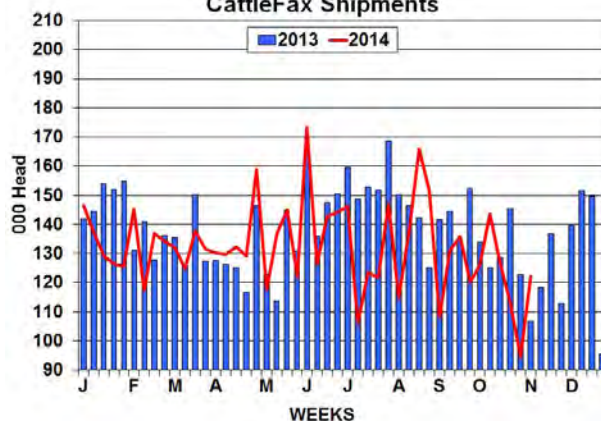
Price ranges reflect the last best test for average choice to high quality cattle.

\*Includes all reported Canadian Imports

## Live Cattle Imports, Year-to-Date Totals

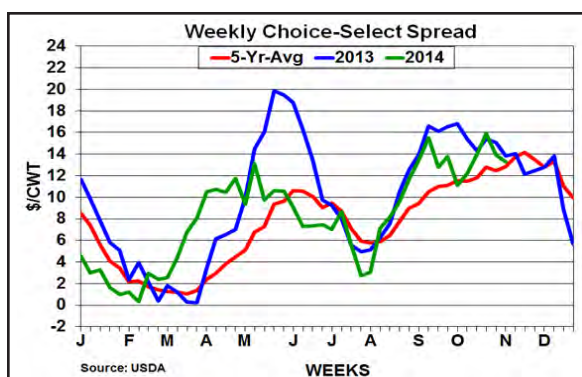
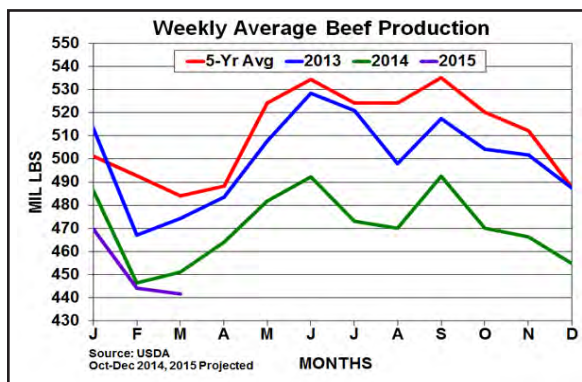
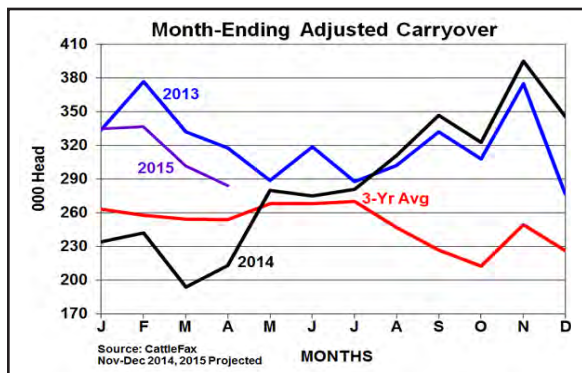
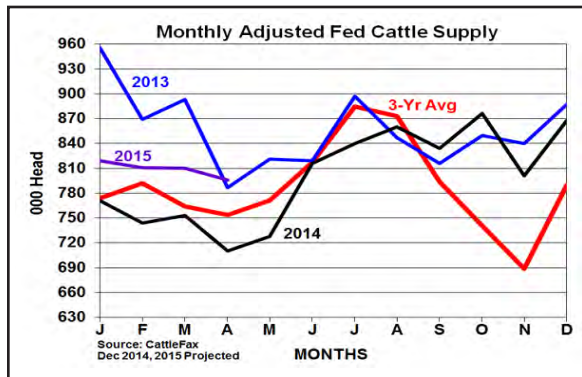
	25-Oct-14	14-YTD	13-YTD
<b>Canada</b>			
Feeders	19,538	342,368	235,618
Slaughter	16,397	596,370	589,282
	<b>01-Nov-14</b>	<b>14-YTD</b>	<b>13-YTD</b>
<b>Mexico</b>	38,375	806,399	709,147

## CattleFax Shipments





# CattleFax Supply & Beef Production Outlook

Inventory  
Analysis

## Shipments

- Shipments by CattleFax member feedyards in October averaged 122,000 head per week, which was down 6 percent compared to last year, and the 5-year average. October shipments were below beginning of the month expectations, which resulted in a bigger carryover.

## Placements

- Total CattleFax placements in October were down 3 percent versus a year ago and even with the 5-year average. Placements in the second half of 2014 have so far been down 5 percent compared to last year and the smallest total since 1981. This has resulted in a smaller than year ago placed against supply for November and December.

## Carryover

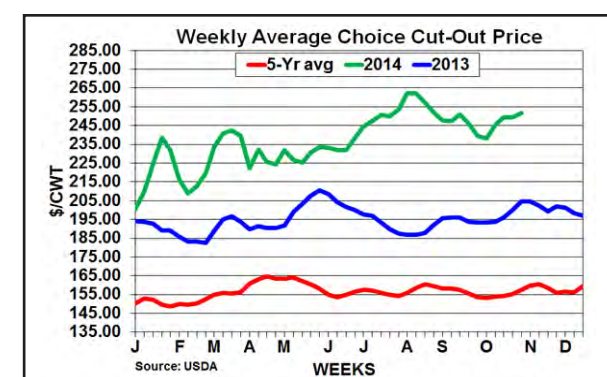
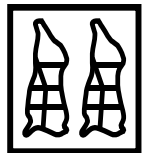
- October carryover was 37 percent, 2 percentage points lower than September but still the biggest October carryover since 2005. The carryover remains relatively large with currentness still a concern going forward. Carryover levels are forecast to remain relatively large in November and December as shipments remain well below last year.

## CattleFax Fed Supply

- The November fed supply declined from October and is 5 percent below last year. This is the first year over year decline since July. December fed supply is also forecast below last year due to smaller placed against supplies. That said, it does appear the industry has filled much of the supply hole for November and December with the larger carryover.

## Slaughter and Production

- Weekly average fed slaughter in October was down 8 percent versus last year. Cow and bull slaughter was down 16 percent versus 2013 on a weekly average basis and as reported last month there has been very little sign of the normal seasonal fall increase in beef cow slaughter. The carcass weight forecast has been raised to reflect the ongoing historically large weights and the beef import forecast has also been raised due to Australia's continued large cow slaughter and strong U.S. demand for lean trim. Nonetheless, per-capita net beef supplies for the fourth quarter are projected 5.2 percent below last year. *Tod Kalous*

Beef  
Complex

## Waiting for Holiday Buying

The Choice boxed beef cutout was quoted \$2.83 softer for the week, Selects closed the week \$2.16 lower. Demand started the week slow, but improved modestly past mid-week on middle meat items. End cut demand remained slowed throughout the week.

As we go into November, purchasing on holidays items such as ribs and tenderloins have been slow to develop. Those items are hard to substitute at Christmas and New Year's parties; folks want prime rib, not a pork chop on

those occasions. As that buying starts, the cutout should advance. Typically that buying has already started, so sellers have been disappointed in the lack of interest to date. However, the holiday season is rapidly approaching, so look for better interest from here.

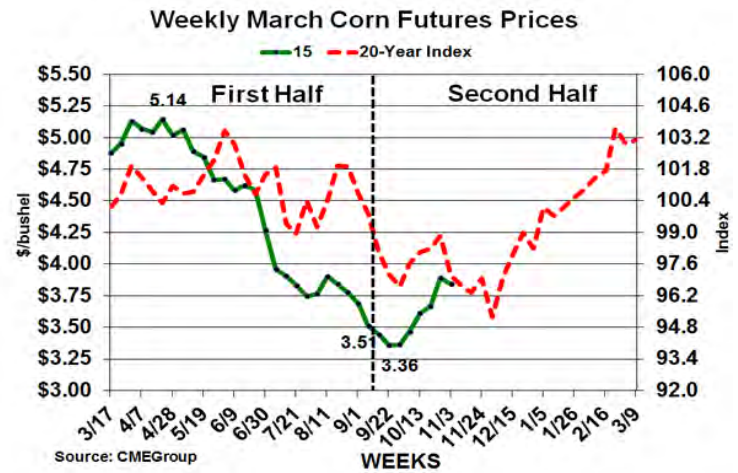
**Next Week:** Better buying should develop, resulting in a steady to slightly higher cutout. Look for Choice boxes to sell between \$250 and \$253, Selects from \$236 to \$239.

*Duane Lenz*

## March Corn Price Perspective

Corn futures have rallied sharply from the late-September/Early October lows following the improved technical structure (closing on top of trend and then key moving averages) and waning enthusiasm about corn production being revised sharply higher. Fundamentally, the corn market is set up to realize more of a "normal" year as opposed to the tight stocks induced volatility realized over the past several years.

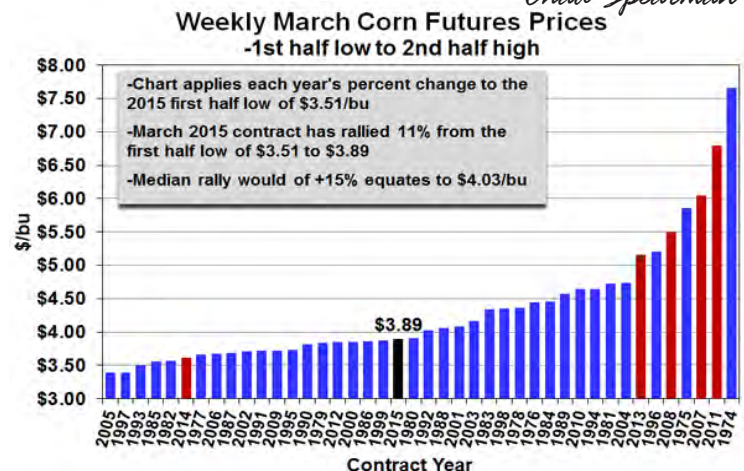
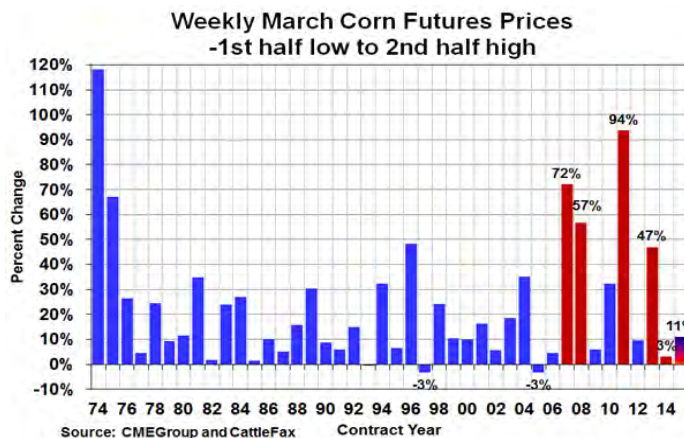
Corn futures declined sharply into the September lows this year, in fact the March 2015 contract realized the fifth largest decline (percent basis) from the highest weekly close during the first half to the lowest weekly close during the second half. The decline is measured from the high that occurred during the first 26 weeks (first half) of the 52 week trading period ending at March expiration, to the low close during the second half (weeks 27-52) of the trading period. While this decline was extreme from an historical perspective, consider the historical rallies that have occurred into the second half of the year. Over the past eight contract years, 2007-2014, March corn futures realized extreme moves during five of these years during this period, most of which were major rallies, but the 2014 increase was one of the smallest on record. With domestic and global corn stocks-to-use levels recovering, corn prices are expected to remain less volatile than the past several years. For perspective, the 2015 contract has rallied 11 percent from the first half low of \$3.51 to \$3.89/bu. The median rally from the first half low to second half high since 1974 is 15 percent. Applying this rally to \$3.51/bu implies a second half high



of \$4.03/bu., which is viewed as viable from a fundamental standpoint as well. Given the current outlook, there is no indication that the rally should be much larger than that. The final chart illustrates the March '15 price potential by adding each year's historical percent rally to the \$3.51/bu low (sorted by size of rally).

**Bottom Line:** Additional gains to the upside for the March '15 corn futures contract are expected, but are likely limited to another \$0.20/bu. from current levels. 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.

*Chad Spearman*

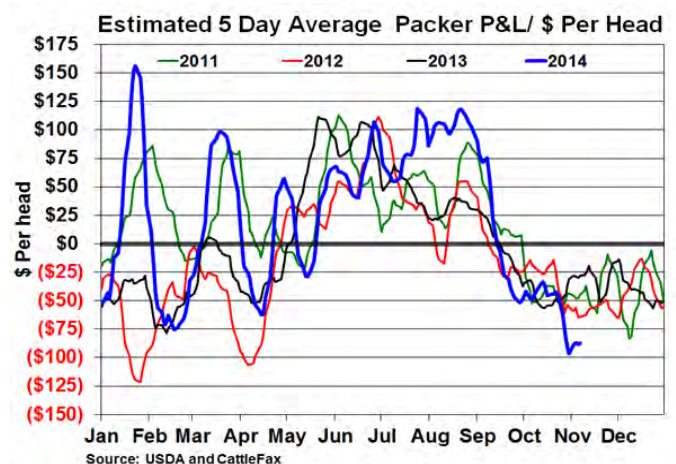


## Packer Margins Pinched

Year-to-date beef packer profitability has averaged +\$23 per head. Keep in mind this is only based on the spot USDA cutout and does not include any beef sold out-front or using different marketing arrangements. For the most part packer profitability has followed the normal seasonal pattern within a year, with smaller gains in the first quarter followed by larger profits during the summer months, and since mid-September packer profitability has moved into the red. In fact over the past couple of weeks the spot packer margin has moved towards -\$100 per head, which is about \$50 per head worse than the last three years for late October/early November.

Seasonally, packer margins are squeezed by the cattle feeder during the fourth quarter as fed cattle prices rise and available fed supplies typically decline. In the past couple of weeks the CattleFax fed steer price has increased more rapidly than the beef cutout, which has contributed to the more negative packer margin. The fed steer price has increased \$4 to \$5/cwt in two weeks while the composite beef cutout has increased less than \$3/cwt.

**Bottom Line:** Spot packer margins are on pace to average in the black for the year. However, current packer profitability is even



further in the red than is seasonal. With the recent rally in fed cattle prices, packers are trying to push on the higher paid prices to the foodservice and retail segment to improve their margin situation, but it appears it may take a larger reduction in slaughter levels for this to occur. *Tod Kalous*



# Extended Weather Outlook

Extended Range Outlook November 2014 through January 2015

Prepared by Dr. Art Douglas, Creighton University, Omaha, Nebraska

In October conditions became slightly more favorable for a new round of El Nino development. This warming stage has now slowed again and the current El Nino will remain in the moderate to weak stage through late November. While El Nino strength and impacts continue to be difficult to forecast this year, the impacts from the very warm North Pacific have been more clear-cut. The warm water off the West Coast has favored the development of a persistent

ridge of high pressure in the Northwest and Northern Rockies and dry weather has developed in the region from the Northwest into the Northern Plains. This dry pattern should spread through the Midwest during November and this will greatly favor late harvest operations. To the south a split jet has been active with abundant moisture present from Texas into the Ohio Valley. This general pattern should persist through November though the main storm track will slowly drop south towards the Upper South. Clouds and rain will keep this same region cooler than normal with the cool weather gradually moving east and then fading by the end of the month.

The biggest forecast challenge will be with the start of the rains in California. El Ninos are noted for wet falls in Texas but not in California. Persistent high pressure ridging is favored in the fall with El Ninos and also with warm North Pacific SSTs. The analog forecast shows a dry November for the West Coast while the NOAA CFS2 model shows the possibility of California rains the 18th-24th of November. The analog forecast and the CFS2 model show normal to potentially slightly above normal rainfall in December. The main impact from El Nino is forecast to be from January through March when above normal precipitation peaks in Texas and spreads across the desert Southwest. These mid and late winter rains will then spread into central California in the late January to March time frame.

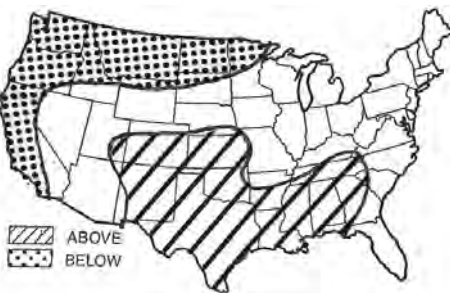
The upcoming winter is forecast to be mild from the West into the corn belt. Cold

outbreaks should be short lived and favored more towards the Ohio Valley and Southeast. The overall winter jet stream pattern should not favor repeat periods of Nor'easters on the East Coast. Wet snows are likely on the northern edge of the subtropical jet across the Kansas-Nebraska border region, but the overall flow pattern should not favor persistence of snow on the ground. Cloudy weather and wet feedlots are likely to be a problem in central regions of the plains.

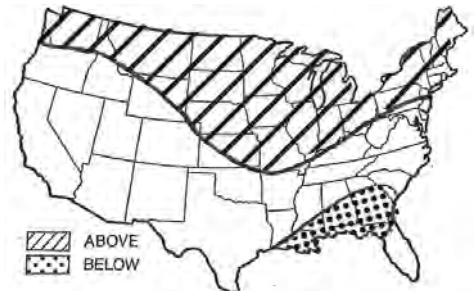
TEMPERATURE OUTLOOK  
NOVEMBER 2014



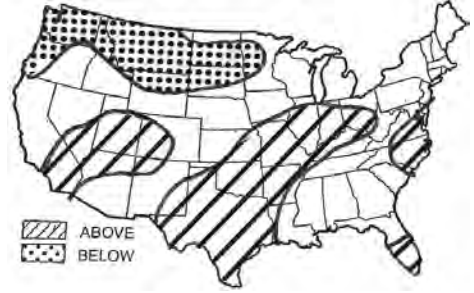
PRECIPITATION OUTLOOK  
NOVEMBER 2014



TEMPERATURE OUTLOOK  
NOVEMBER 2014 THROUGH JANUARY 2015



PRECIPITATION OUTLOOK  
NOVEMBER 2014 THROUGH JANUARY 2015

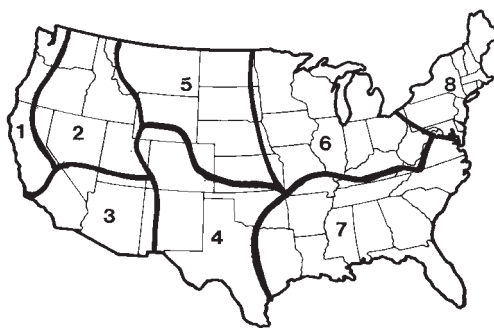


**Region 1.** High pressure ridging will keep much of the region warm and dry through at least mid winter. California rains will slowly improve in December and peak late winter. Probable 3 month departures: temperatures to +2F; precipitation 80% north to normal south late in the period.

**Region 2.** Warm dry weather will persist through the northern half of the region through January while far southern areas will turn wetter by mid winter. Northern snow packs will be poor. Probable 3 month departures: temperatures to +3F north; precipitation <80% most areas to 110% far south late.

**Region 3.** A typical El Nino pattern of spotty rains in December should then turn to wetter weather early in the year. Temperatures will remain slightly above normal mainly due to warm nights. Probable 3 month departures: temperatures +2F west; precipitation rising to 120% by January.

**Region 4.** The wet weather pattern will persist well into the spring. Moist soils and above normal cloud will keep day time temperatures cooler than normal.



Snow packs should be above normal along the NM-CO border. Probable 3 month departures: temperatures -2F early then normal; precipitation 120-140% of normal, wettest late in the period.

**Region 5.** A strong but northward displaced jet will favor mild-dry weather into the spring. Coldest weather will be upfront in the winter with far southern areas likely to have above normal snowfall from southern stream storms. Probable 3 month departures: temperatures rising to +3F; precipitation <80% northern half to 110% far south.

**Region 6.** Cool weather will persist into mid month followed by slow warming. Precipitation will be falling to below normal levels most areas and this will favor late harvest. Probable 3 month departures: temperatures -2F November rising to +2F mid winter; precipitation 80% normal most areas November then rising to 120% far south January.

**Region 7.** The split southern jet will keep much of the area cooler than normal through the winter with the main cold coming later in the winter. Moisture influx will be primarily in far western sections while a slow drying trend is forecast for central areas. Probable 3 month departures: temperatures -2F; precipitation near normal to 90% central areas to 110% margins of the region.

**Region 8.** Weather conditions will be fairly moderate going into the winter with temperatures slowly rising to above normal levels. Most storm energy will be directed to the east and this is unfavorable for Nor'easter development. Probable 3 month departures: temperatures rising to +2F; precipitation near normal.

Slaughter  
Cow  
Update

## Reduced Lean Supply Supports Prices

Cow slaughter has not followed the seasonal pattern of increasing through the fall, providing support to the cull cow market. The 90's lean trim price continues to stay in a sideways trading range, at very strong levels, providing additional support to the slaughter cow market. Beef cow slaughter is down 17.6 percent year-to-date (443,000 head), dairy cow slaughter is down 10.5 percent (266,000 head) and total cow and bull slaughter is down 13.5 percent (705,000 head).

Cull cow prices will continue to find support in the \$110 to \$112/cwt range as cull cow slaughter remains limited and is not tracking the strong seasonal increases. The strong seasonal price index shows prices increasing through the end of the year and into the first half of 2015. Available lean product supply from the fed slaughter complex will remain tight through the same time period. An increase in cow slaughter poses the biggest risk to cull cow prices, if cow slaughter maintains at current levels expect slaughter cow prices to maintain current levels as well, with upside potential. Lean imports are 26.4 percent above year-ago levels and are expected to continue to increase through the end of the year, potentially causing some weakness in the lean meat markets. *Ethan Oberst*

## Capital Gains Enthusies Market

Females  
Update

There are numerous dynamics currently in the bred female and replacement heifer market. While prices have remained relatively constant over the past few months, buying interest has increased earlier than normal. One of the main reasons this is occurring is due to the value of this year's calf crop. Cow-calf producers have made the most money ever in the history of the business. Many need to re-invest the money for tax purposes.

For those producers who may have had to cull cows hard over the past several years due to the drought, most have the land capability to take on more cows, and are willing to buy now rather than fall into the next tax year.

One way producers are looking at what they are adding to the herd this year at the elevated prices, is to look at what their current inventory cost has been and average the new purchases with the old to calculate their average cow cost. This may be the only way to justify the cost of adding to the herd today, particularly if calf values decline over the lifetime of the cow.

*Troy Applehans*

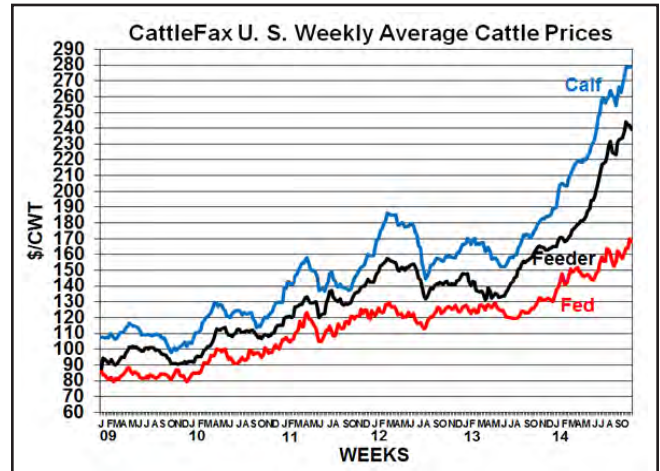
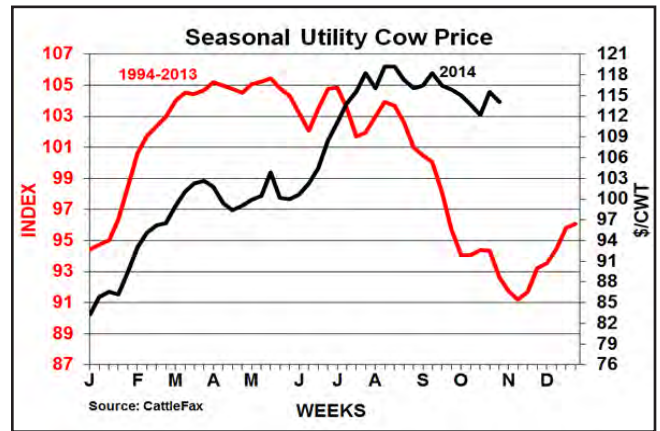
## Projected Placements Fall

Cattle-  
on-Feed  
Estimate

Cattle-on-feed in November is projected to be 99 percent vs. 2013. October marketings are expected to be 97 percent of last year, with placements lower by 1 percent. There were 4.6 marketing weeks this October vs. last year. Federally inspected steer and heifer slaughter was estimated down 7.5 percent vs. October last year.

U.S. Cattle-on-Feed November 1, 2014 (000) head 1,000+ capacities				
	Average			
	2009-2013	2013	2014	% year ago
COF Oct. 1	10790	10110	10058	99.5
Placed	2418	2378	2354	99
Marketed	1785	1827	1777	97
Other Dis.	73	76	76	100
COF Nov. 1	11349	10585	10559	99.8

After higher placements in September, CattleFax data suggests placements in October dipped back below year ago levels. Placements are relatively weaker in the South vs. the North, signaling which regions have greater availability of young cattle. Carcass weights are also higher in the North as those producers are benefitting from a more competitive grain basis. *Marcus Bria*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Fed steers</b>												
2013	125.23	124.94	126.74	127.51	125.97	120.89	119.75	123.15	124.09	129.58	131.50	131.72
2014	142.36	144.79	150.08	147.46	145.25	149.48	159.28	155.79	159.98	165.48		
<b>750-lb steers</b>												
2013	144.17	138.10	133.88	135.60	133.96	136.63	145.14	153.91	157.09	163.45	163.58	164.43
2014	168.98	169.97	177.09	181.75	191.33	203.68	220.83	225.98	232.67	241.12		
<b>650-lb steers</b>												
2013	153.01	149.72	147.24	147.61	143.99	145.11	150.97	160.39	162.73	167.73	170.13	172.17
2014	180.23	185.57	195.03	201.11	210.25	224.43	239.82	241.50	248.00	254.29		
<b>550-lb steers</b>												
2013	166.52	165.86	163.28	160.23	154.52	154.54	159.93	169.61	171.96	178.30	183.25	187.24
2014	200.65	206.29	216.31	219.48	226.66	242.46	258.20	259.63	263.76	277.42		
<b>450-lb steers</b>												
2013	183.89	183.92	179.02	175.61	167.45	166.52	174.31	184.98	189.14	198.07	206.46	211.55
2014	222.80	228.51	237.15	240.16	244.71	261.36	278.26	290.73	302.92	314.86		
<b>Utility Cows</b>												
2013	76.48	79.55	80.71	78.14	77.73	77.83	80.11	83.37	81.80	78.86	79.83	82.32
2014	86.25	95.19	101.24	99.73	101.13	103.97	114.98	117.93	116.77	114.11		

## Average Prices Oct, 2014

	Western	Midwest	Northwest	Southeast
Bred Cows	1800-2500	2400-3000	1700-2400	2250-2650
Bred Heifers	1800-2500	2400-3000	1700-2400	2250-2650
Pairs	2500-3200	2800-3500	2500-3000	2700-3200

## Holstein Market 08-Nov-2014

	CA/AZ	TX/KS	ID/UT	CO/NE	Midwest
Live	160-161	NT	NT	NT	NT
Dressed	NT	NT	NT	NT	NT
<b>Calves/feeders (\$/cwt)</b>					
325 lbs.	295-315	NT	305-315	NT	NT
400-500 lbs. del.	NT	NT	265-280	NT	NT
800 lbs. del.	NT	NT	166-171	NT	NT
Day-old f.o.b.(\$/hd)	400-475	NT	420-440	NT	NT



# Stocker Operators Must Manage Margin

Wheat and rye grass pasture, from all indications, is plentiful in comparison to the available numbers of cattle to turn out. And while there are many different scenarios out there in terms of what weight of cattle are turned out for winter grazing, what their average daily gain will be, when they were purchased, what their actual purchase cost was, death loss, cost of gain, etc., this scenario will look at a 550-pound steer, purchased in October with costs of gain at 60 cents/pound, gaining 2 pounds/day, with a 2 percent death loss, to come off pasture in March weighing 850 pounds.

The CattleFax U.S. average price for 550-pound steer calves during the month of October averaged \$277.20. Utilizing the figures discussed, the breakeven on these cattle is near \$200-\$205/cwt. The historical basis levels on 850-pound steers in March for a U.S. average is near -\$8/cwt. With the March Feeder Cattle contract trading near \$228-\$229 and factoring in historical basis levels indicates the futures implied market for an 850-pound steer in March

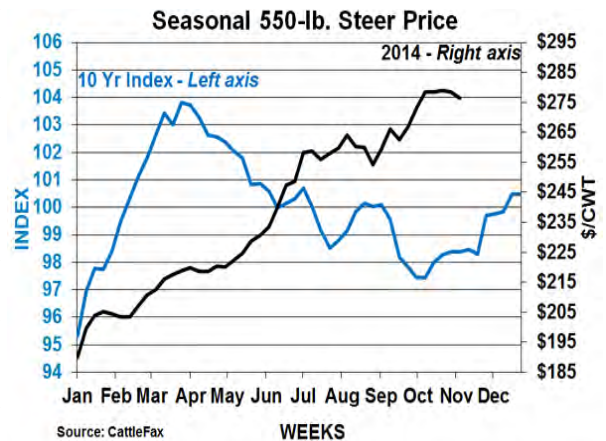
will be near \$220/cwt. This scenario indicates the cattle will make \$15-\$20/cwt, or \$127.50-\$170 per head.

Many of the current producer questions are, "what do I need to do to manage risk and protect price on these cattle?" Particularly in light of the fact that the markets have performed so well up

to this point — questions remain as to whether or not it will continue to perform or will a correction to the market happen between now and when these cattle will be sold.

There is a lot of uncertainty regarding the future of the markets. With that being said, the most prudent thing a producer can do, especially since the cattle make money at this point, is to manage the margin and not try to out-guess the market. Markets move higher and lower all the time, often at a significant pace. In this scenario and a volatile market environment, these cattle are presently profitable to the tune of around \$150/head, which should encourage producers to protect against the potential downside in the marketplace.

**Bottom Line:** It appears that even though the calf market has contraseasonally increased in value into the fall, most of the cattle bought to go into winter grazing programs are still profitable at the present time. With so much uncertainty regarding the direction the market will take going forward, managing risk and margins is imperative. Utilization of the futures and/or options markets, forward contracting, basis contracts, etc. looks to be very favorable at this time. *Troy Applehans*



Feeder Cattle and Calves: Representative Direct Sales					
Area	#Hd	Wt.	Breed Type	Price	Del.
<b>CENTRAL</b>					
<b>STEERS</b>					
KS	200	900	Choice English X	213.00	MAR
KS	200	900	Choice English X	213.00	APR
TX	200	750	Choice English X	229.60	JAN
TX	550	750	Choice English X	222.50	FEB
TX	800	775	Choice English X	229.40	DEC
IA	200	825	CH Eng X DEL		
<b>CENTRAL</b>					
<b>HEIFERS</b>					
KS	200	750	Choice English X	223.70	NOV
OK	200	650	Choice English X	221.50	JAN
TX	375	650	Choice English X	225.60	JAN
TX	350	700	Choice English X	218.65	JAN
IA	100	750	CH Eng X DEL	220.00	IMM
<b>SOUTH</b>					
<b>STEERS</b>					
GA	200	675	Choice English X	235.25	IMM
GA	150	725	Choice English X	234.75	IMM
GA	200	825	Choice English X	226.85	IMM
GA	500	875	Choice English X	220.00	IMM
<b>SOUTH</b>					
<b>HEIFERS</b>					
GA	150	625	Choice English X	225.40	IMM
GA	100	725	Choice English X	220.75	IMM
GA	300	775	Choice English X	212.90	IMM

## Feeder Cattle Prices 08-Nov-2014

West & Northwest							Central							Southeast						
WA/OR																				
CO	MT/WY	CA	NV/UT	AZ/NM	ID		TX	KS/MO	ND/SD	NE	OK	IA		AL	AR	FL	GA	LA/MS	KY/TN	
<b>STEER</b>							<b>STEER</b>							<b>STEER</b>						
9-10	212-217	212-218	206-211	205-211	204-210	204-212	9-10	213-217	216-223	218-223	215-220	216-220	213-218	9-10	211-215	212-216	207-211	211-215	211-215	209-213
8-9	217-222	217-223	219-224	216-223	209-223	214-222	8-9	228-232	228-234	224-229	223-228	232-236	221-226	8-9	222-226	226-230	218-222	222-226	222-226	221-225
7-8	222-228	222-229	233-239	231-238	214-238	229-238	7-8	235-240	235-247	240-246	239-245	237-242	237-243	7-8	231-236	235-240	227-232	231-236	230-235	231-236
6-7	253-262	253-263	250-259	249-258	245-257	247-259	6-7	243-250	248-265	257-266	251-260	253-260	249-258	6-7	241-248	243-250	235-242	238-245	238-245	236-243
5-6	275-286	275-287	271-282	270-284	267-280	271-285	5-6	273-283	275-298	272-283	264-275	284-294	262-273	5-6	261-271	270-280	259-269	261-271	260-270	250-260
4-5	312-324	312-325	313-325	310-324	304-323	307-323	4-5	293-305	300-330	323-335	318-330	310-322	316-328	4-5	298-310	300-312	301-313	303-315	288-300	268-280
<b>HEIFER</b>							<b>HEIFER</b>							<b>HEIFER</b>						
8-9	214-219	214-220	207-212	204-211	206-211	202-210	8-9	206-210	209-216	213-218	222-227	208-212	220-225	8-9	206-210	208-212	202-206	206-210	206-210	202-206
7-8	219-225	219-226	219-225	216-224	211-224	214-223	7-8	215-220	219-234	225-231	228-234	226-231	226-232	7-8	213-218	216-221	209-214	213-218	211-216	215-220
6-7	237-246	237-247	231-240	230-239	229-238	228-240	6-7	228-235	230-243	237-246	236-245	234-241	234-243	6-7	222-229	224-231	220-227	223-230	222-229	223-220
5-6	248-259	248-260	250-261	247-260	240-259	245-259	5-6	242-252	235-272	254-265	251-262	252-262	249-260	5-6	231-241	238-248	225-235	227-237	230-240	228-238
4-5	287-299	287-300	282-294	281-295	279-292	281-296	4-5	273-285	261-302	293-305	288-300	273-285	286-298	4-5	264-276	266-278	257-269	259-271	266-278	238-250
<b>COWS</b>							<b>COWS</b>							<b>COWS</b>						
util	115-125	114-125	106-114	106-117	104-123	105-116	util	107-117	104-118	114-124	113-123	112-119	110-120	util	107-114	100-110	106-114	107-115	100-110	105-111
cn/cut	100-110	101-112	97-105	98-107	95-108	95-108	cn/cut	102-112	95-115	102-112	99-109	104-110	98-108	cn/cut	100-105	95-105	101-107	102-108	86-96	98-104
bulls	128-138	129-140	117-130	117-132	115-136	121-136	bulls	122-132	128-140	133-143	131-141	129-134	130-140	bulls	127-132	122-132	128-135	129-136	123-133	122-132
<b>West</b> — Feeder cattle and calf prices were uneven. Slaughter cow values ranged from \$2 higher to \$2 lower. — <i>Chad Spearman</i>							<b>Central</b> — Feeder cattle traded near steady compared to last week. Calves traded in a wide range and ended mostly steady. Market cows were steady. — <i>Troy Applehans</i>							<b>Southeast</b> — Feeder cattle prices ranged from steady to \$3 higher compared to last week. Calves traded mainly steady to \$4 higher. Market cows traded mixed from \$2 higher to \$2 lower. — <i>Troy Applehans</i>						



## CattleFax

9110 East Nichols Avenue, Ste. 301  
Centennial, Colorado 80112  
1-800-825-7525

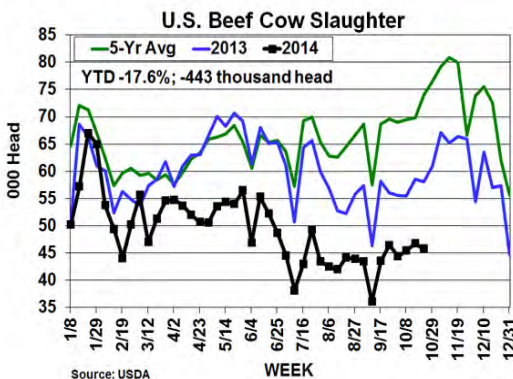
While Cattle-Fax believes that the data/information provided is accurate and complete, no warranty is made with respect thereto. CattleFax shall not be liable for decisions or actions taken by the user based on the data/information.

## Cull Cow Prices Supported by Lack of Supply

The magnitude of the decline of cull beef cows going to market has been evident and building upon itself throughout all of 2014. As the accompanying chart indicates, beef cow slaughter is down over 17 percent year-to-date, or 443,000 head. The results of this massive decline have been far reaching from the standpoint of increasing domestic consumer demand for a smaller supply of the lesser priced ground beef item, and the need to fill that demand through increased imports of grinding beef. The increasing global demand for grinding beef meant that the U.S. had to compete with other countries in order to access the product, and give more for it than another country was willing to.

It has been well documented by CattleFax just how significant of a role the 90's trim market has played in the overall price structure of the fed cattle and beef markets over the past 12-15 months. The importers of cow beef have had to balance the scale in terms of whether importing the product was less or more expensive than what they could source from the U.S. market. And with low supplies of cows, prices have been high. This has provided tremendous support to the price of cull cows all year.

The benefit to those who have cows to sell at the present time is that the supply remains very low at a timeframe that the markets would normally see the largest supply. Prices are expected to remain high, even for those who may retain ownership of cull cows into 2015 in order to defer income. *Troy Applehans*



### F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
	25-Oct-2014		26-Oct-2013		2014	2013	Pct Chg
Total Sltr	578		619		24765	26501	DN 6.6
	Pct	No	Pct	No			
Steers	49.3	285	48.5	300	12911	13289	DN 2.8
Heifers	30.4	176	30.0	186	6964	7590	DN 8.2
Cows	18.2	105	19.7	122	4435	5160	DN 14.1
Bulls	2.1	12	1.9	12	456	461	DN 1.1

### Summary of Activity Sponsored by:



Summary of Activity	This Week 7-Nov-14	Last Week 31-Oct-14	Year Ago 8-Nov-13
<b>CattleFax Data</b>			
Placements	148,316	123,004	129,390
Shipments	122,051	94,573	106,818
Avg In-Weights	716	712	713
USDA Sltr Wgts	1,358	1,355	1,337
USDA Str Carc Wgt*	902	898	876
Days on Feed	N/A	143	141
Carryover Pct	39	36	35
Weekly Supply	443,300	389,000	426,700
Percent Grade Choice & Higher	68.05	68.42	66.41
Prime Grade Pct	4.38	4.76	3.93
Choice Grade Pct	63.67	63.66	62.48
Select Grade Pct	26.01	26.06	28.55
<b>Live Prices (\$/cwt)</b>			
Slaughter Steers	N/A	168.04	130.92
Steer Calf (450#)	312.79	316.48	205.14
Steer Calf (550#)	276.40	278.38	182.81
Yearling Steer (650#)	252.38	253.39	169.92
Yearling Steer (750#)	235.20	239.19	164.43
Yearling Steer (850#)	225.03	229.02	159.30
Utility and Commercial Cows	113.61	114.11	79.35
Canner and Cutter Cows	104.18	104.89	73.02
Lean Hogs	86.19	89.27	83.34
Omaha Corn (\$/bu)	3.34	3.31	4.15
12-City Broiler	104.42	103.73	90.56
Dollar Index	87.60	86.14	81.30
<b>Meat Prices (\$/cwt)</b>			
Certified Angus Beef Cutout (UB)	259.74	260.84	213.51
Choice Cutout	250.52	253.35	203.99
Select Cutout	237.25	239.41	190.17
Choice/Select Price Spread	13.27	13.94	13.82
Cow Cutout	233.70	233.71	156.63
Hide and Offal	16.41	16.41	14.65
Pork Cutout	95.30	97.84	94.06
<b>Slaughter (000 hd) and Meat Production (Mil lbs)</b>			
Cattle	564.0	553.0	612.0
Hogs	2,232.0	2,193.0	2,286.0
Total Red Meat Production	946.3	928.0	967.8
Beef Production	465.1	455.6	486.0
Pork Production	476.8	467.8	477.2
Poultry Production	N/A	819.4	812.9
<b>CME AVG 6 STATE FED KS-TX-OK</b>			
	FDR PRICE	STR PRICE**	FED STR**
Thu 11/06	N/A	167.69	168.00
Wed 11/05	240.36	167.66	168.00
Tue 11/04	239.99	167.68	168.00
Mon 11/03	240.17	168.07	168.00
Fri 10/31	240.25	168.07	168.00

\* 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)