

CattleFax UPDATE

THE
DECIDING
FACTOR

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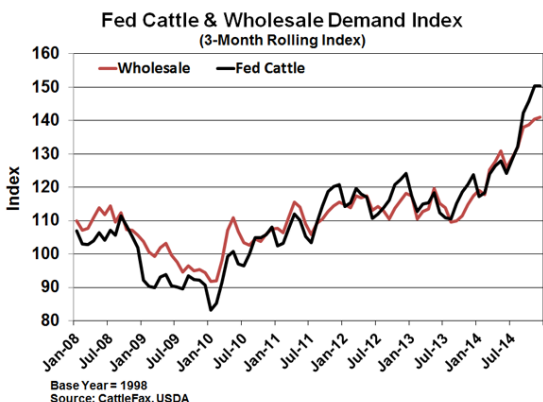
Revalor-XS

(trenbolone acetate and estradiol)

Market Dynamics

There are a lot of factors some might define as noisy, surrounding the fed cattle market during the course of the last several days/weeks. For those involved in the market when there is that much noise, it becomes very difficult to make solid business decisions. Producers are trying to ask themselves what is real and what is not. CattleFax feels strongly that most of the factors can be identified.

Weather: The weather conditions in Nebraska and the Midwest are some of the worst that those regions have experienced in a very long time. However, as you move south the weather conditions improve significantly. There is no doubt cattle are weighing up light in the northern regions from a few weeks ago, but the southern regions are not experiencing the same dynamic. **Bottom Line:** At this point, CattleFax does not believe weather is a major factor in the market.



Slaughter: A lot of discussion about slaughter as packers are talking about 32 hour kill weeks for the next couple of weeks. It is important to note, weekly average fed slaughter levels are smaller in January and February compared to November and December 12 out of the last 15 years, and non-fed slaughter has been smaller 13 out of the last 15 years. **Bottom Line:** Look for slaughter to be smaller the next 5-7 weeks.

Packer Margins: Historically, packers lose money during January/

February period. CattleFax estimated packer margin has been in the red 9 out of 15 years. Knowing the fed cattle slaughter, in general, for 2015 is projected to be the smallest in history it should come as no surprise that the packer margins overall for 2015 are going to come under pressure.

Competing Meats: Clearly big increases to pork and poultry production during the next 4-6 months of 4-6 percent compared to last year. Exports are critical to the pork and poultry sector. Can exports recover to assist in moving through the big supply of cattle? The included trade article is very descriptive in terms of the impact on trade.

Demand: The demand for fed cattle and wholesale reached record high levels during the fourth quarter – Important to note that the demand index in 2014 ranged from 118-150. The previous 15 years the index had a range of 83 to 122. The point is that fed cattle and wholesale demand improvement in 2014 was remarkable, but is it sustainable?

Bottom Line: All of the factors mentioned above are clear and straight forward, however demand is not. As cattle producers, the uncertainty of demand should result in not betting thy whole wad.

Michael Murphy

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Market Highlights

The fed cattle market in the South was \$170 this week, \$4 higher than last week. Live cattle in the North traded in a range of \$167 to \$172, \$2 to \$6 higher than last week. Cattle traded at \$270 to \$275 on a dressed basis in the North, \$5 to \$10 higher this week. Boxed beef was stronger again this week as asking prices were higher. Compared to the last previous test prior to the holidays, feeder cattle were steady to \$10 higher. Calves were also stronger as they were steady to \$15 higher. Cull cows were mostly steady over the same time period. Corn overall traded several cents higher this week after big moves early in the week. The USDA's final crop production numbers will be released on January 12th.

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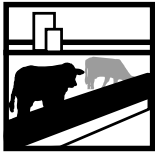
Caution

Uncurrent

Steer carcass
weights are
up 5 pounds
at 897 and are 15 pounds
above last year.

January Marketings May Determine Spring Prices

Fed-Cattle Outlook



Coming into January, CattleFax data looks ominous. Carryover of cattle from December into January is 39 percent, which is a large historically. CattleFax marketings out of member feedlots were down 7 percent for December compared to a year ago, even with one extra marketing day this year. Carcass weights, although coming down slightly, remain record large. The CattleFax monthly supply is over year ago levels by a wide margin for January. That said, when visiting with yards, our analysts hear that although cattle have been pushed back, few feel like they have a backlog of cattle they need to work through in short order, and the packers aggressiveness in buying cattle over the past three weeks seems to back that up. The bottom line is that we have a crust of cattle that needs to be worked through this month to keep from building supplies going forward. If the industry can accomplish that, prices will see a rebound into the spring. If we get further behind marketing cattle over the next thirty days, cattle prices will likely disappoint sellers this spring. Stay tuned.

Next Week: Supplies will be near even, beef demand will slow as prices continue to escalate. Negative margins will have packers on the defensive. Look for the market to trade in a \$167 to \$169 range.

Balance of January: Demand will be seasonally slow as consumers need cash to pay for Christmas and heating bills. Supplies remain near current levels. The cash market is expected to be in the low \$160's as we finish the month.

February-April: Assuming we are current in marketings, supplies will drop throughout this period and demand will improve as the weather begins to warm. This suggests a market that improves past early February, to near \$170 by late April. If however, we come out of January with a backlog of cattle, the market could become stagnant in the upper \$150's to the low \$160's as packers regain leverage as we try to market our way out of the backlog. *Duane Lenz*

Projected Fed-Cattle Marketings (000 Head) 09-Jan-2015

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
JAN	757	475	1232	796	39	4.4	126	92
FEB	791	498	1289	778	43	4.2	129	97
MAR	673	575	1248	721	45	4.0	125	95
APR	615	590	1205	784	38	4.4	124	93
MAY	811	481	1292	868	36	4.4	137	99
JUN	839	488	1328	823	41	4.0	143	96

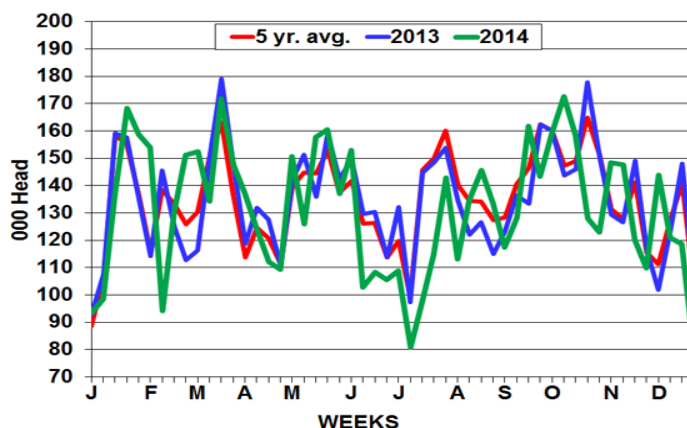
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	605	534	553	589	586	626	597	596	539	560	455	549
2015	156											
Monthly Totals (000 hd)												
Weekly Averages (000 hd)												
2014	137	133	132	134	139	149	136	142	128	122	120	125
2015	130											
15%14	95	104	98	109	100	99	85	97	86	94	93	88
15%5Yr	95	96	103	105	99	101	89	96	89	95	93	86

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	605	529	635	542	643	494	495	551	613	679	526	526
2015	94											
Monthly Totals (000 hd)												
Weekly Averages (000 hd)												
2014	138	132	151	123	153	118	113	131	146	148	138	120
2015	79											
15%14	56	110	103	102	98	90	83	100	101	97	96	93
15%5Yr	60	99	108	107	102	97	81	89	91	95	101	92

CattleFax Placements



Contract and Formula Cattle 09-Jan-2015

	Scheduled in January	Shipped in January	Scheduled in February	Scheduled in March
Kansas	200,000	68,500	200,000	200,000
Texas	250,000	76,500	240,000	250,000
Colorado	75,000	26,500	75,000	75,000
Nebraska	200,000	65,000	200,000	200,000
Totals	725,000	236,500	715,000	725,000
Basis Bids				
Steers	\$1 to \$2.50 over		March \$1 to \$2 over	April \$1 to \$2 over
Heifers	\$1 to \$2.50 over		\$1 to \$2 over	\$1 to \$2 over

Fed Cattle Prices 09-Jan-2015

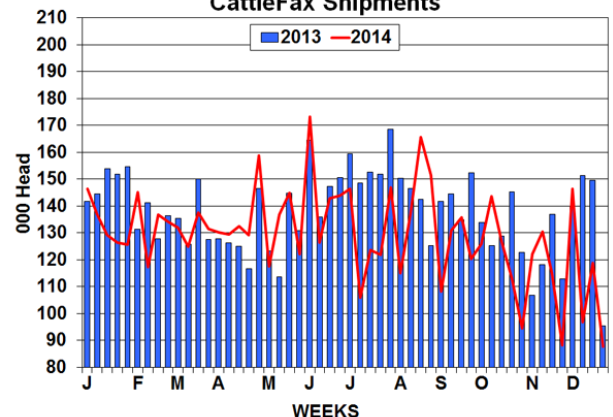
	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	170	N.T.	170	N.T.	59,500	97%
KS	168-170	N.T.	168-170	N.T.	57,000	79%
NE	169-172	270-275	169-172	270-275	70,000	48%
CO*	170-172	273	170-172	270	18,500	87%
CB	167-171	270-275	167-170	270-275	35,000	0%
PNW*	N.T.	N.T.	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

Live Cattle Imports, Year-to-Date Totals

	27-Dec-14	14-YTD	13-YTD
Canada			
Feeders	320	441,695	315,628
Slaughter	6,613	734,762	727,820
	03-Jan-15	15-YTD	14-YTD
Mexico	0	0	0

CattleFax Shipments





CattleFax Supply & Beef Production Outlook

Shipments

- Shipments by CattleFax member feedyards in December averaged 125,000 head per week, which was down 12 percent compared to last year and down 14 percent versus the 5-year average. December shipments were slightly below beginning of the month expectations.

Placements

- Total CattleFax placements in December were down 3 percent versus a year ago and down 7 percent compared to the 5-year average. Currently this is resulting in fewer cattle being placed against the second quarter. Total placements in 2014 by CattleFax members was the third smallest since the early 1980's, only 2008 and 2009 were slightly smaller.

Carryover

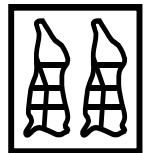
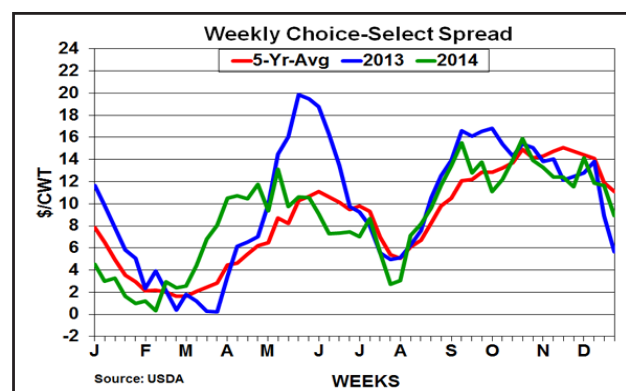
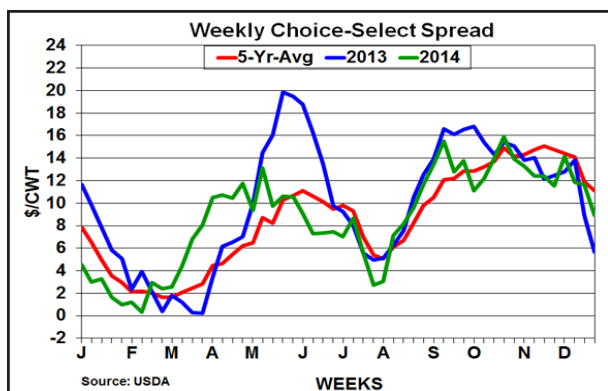
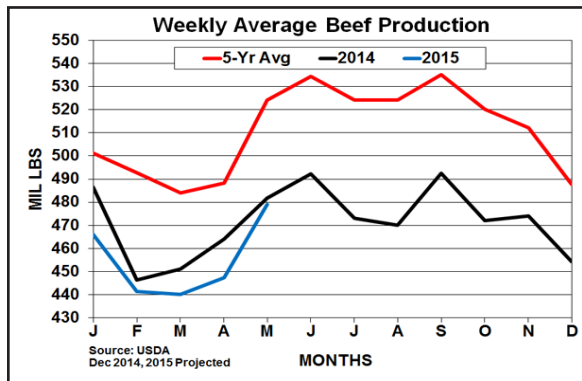
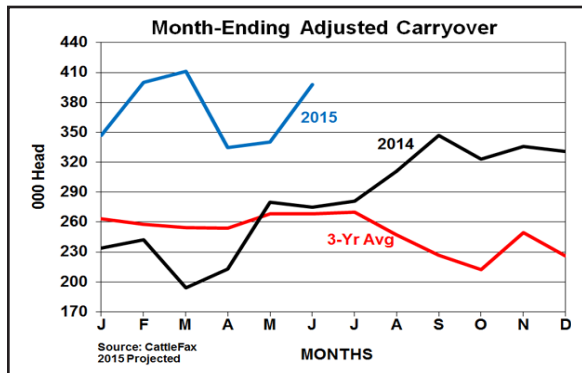
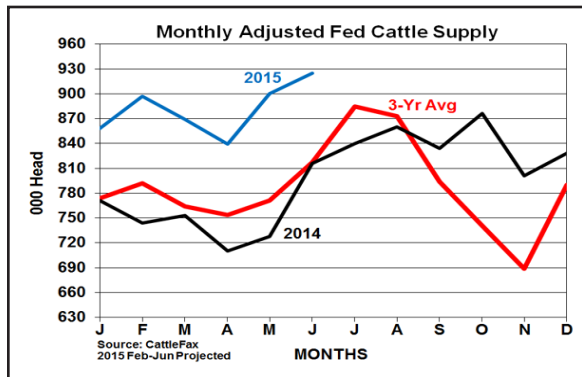
- December carryover was 38 percent, 4 percentage points lower than November, but 9 percentage points above last December. While improving slightly from November, the carryover is still a concern, especially as more cattle have been placed against January and so far February as well compared to last year. Shipments will need to exceed current forecasts in order to bring down the carryover; otherwise it will remain relatively large through the first quarter.

CattleFax Fed Supply

- The January fed supply is up 11 percent compared to last year, and up 7 percent versus the 5-year average. The combination of more cattle placed against January and the bigger carryover explain the larger available fed supply. And, it appears this will be near the same situation for February as more cattle have been placed against it as well.

Slaughter and Production

- Weekly average fed slaughter in December was down 9 percent versus last year. Cow and bull slaughter was down 11 percent versus 2013 on a weekly average basis. Total cattle slaughter in 2014 was down 2.3 million head, which is the second biggest year over year decline since 1979, only 2004 had a bigger drop. Fourth quarter per capita net beef supply was down 2.3 percent versus 2013. First quarter 2015 per capita net beef supply is forecast to be down just 1 percent versus last year. *Tod Kalous*



Higher Cattle Prices Propel Beef

Prices for the Choice boxed beef cutout closed the week \$5.67 higher, while Selects closed the week \$6.77 stouter.

January is typically a slow demand month as consumers pay off Christmas bills. This year there is also cheaper pork and poultry available for cash strapped consumers, which may slow demand. On the flip side, lower gas prices have put more money into consumer's pockets which may make them more willing to spend on products they

really enjoy, such as beef. Also, after packers have paid up sharply over the past three weeks for fed cattle, they will have little choice but to raise asking prices in order to regain some of their margin.

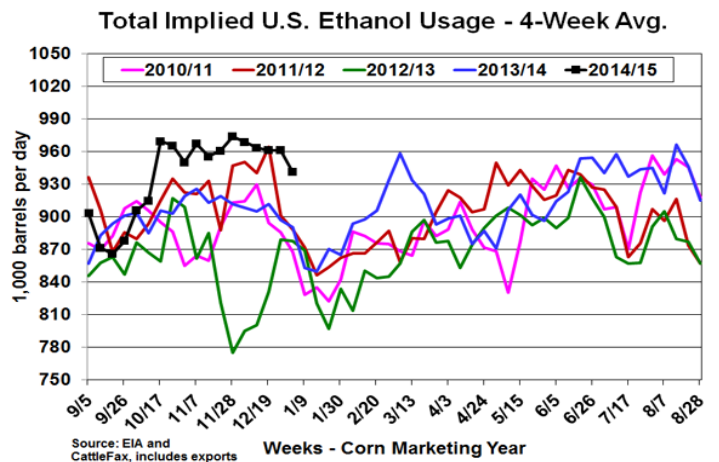
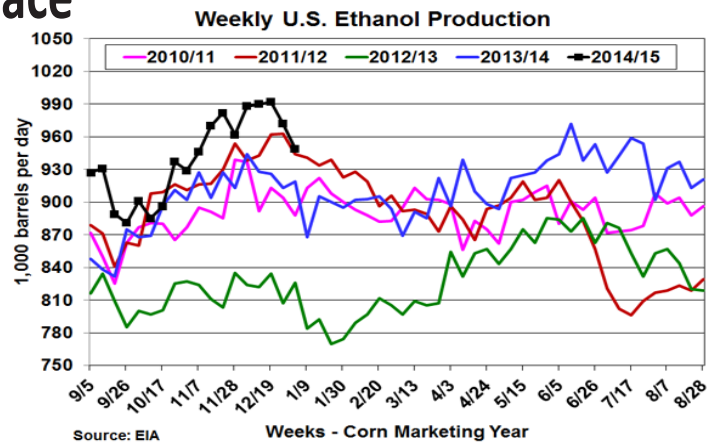
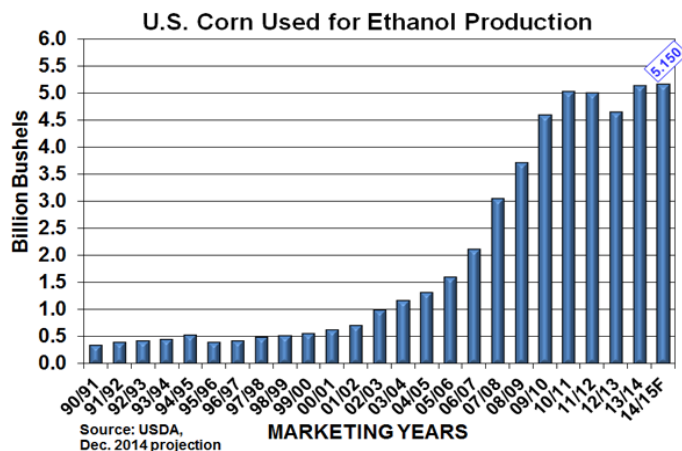
Next Week: Asking prices will be higher, and some buyers will need product, firming the cutout. Choice boxes are expected to sell from \$254 to \$258, Selects between \$245 and \$249. *Duane Lenz*

Ethanol Production Off to Record Pace

U.S. ethanol production is off to a record start for the 2014/15 corn marketing year. With the first 18 weeks of the marketing year that began on September 1st in the books, weekly ethanol production has been larger than expected, so the USDA is expected to revise their corn used for ethanol projection higher by as much as 50 million bushels on January 12th.

Weekly U.S ethanol production has averaged 940,000 barrels/day for the first 18 weeks of the year, compared to last year's average of only 897,000 barrels/day during the same period. Total U.S. ethanol usage averaged approximately 938,000 barrels/day during the first 18 weeks compared to 902,000 barrels/day last year. Spot ethanol margins remained very positive as ethanol supplies remained quite tight throughout 2014 and supported large production levels during the first four months of the 2014/15 corn marketing year. However, since October 2014 gasoline prices have been falling faster than ethanol prices. Prices will be monitored closely in the months ahead, because if ethanol prices do not fall back to a more typical discount relative to reformulated and conventional gasoline blending components, then discretionary blending will be at risk of being limited by market economics.

Bottom Line: U.S. corn used for ethanol is expected to be revised 45 million bushels higher from 5.150 to 5.195 billion bushels by



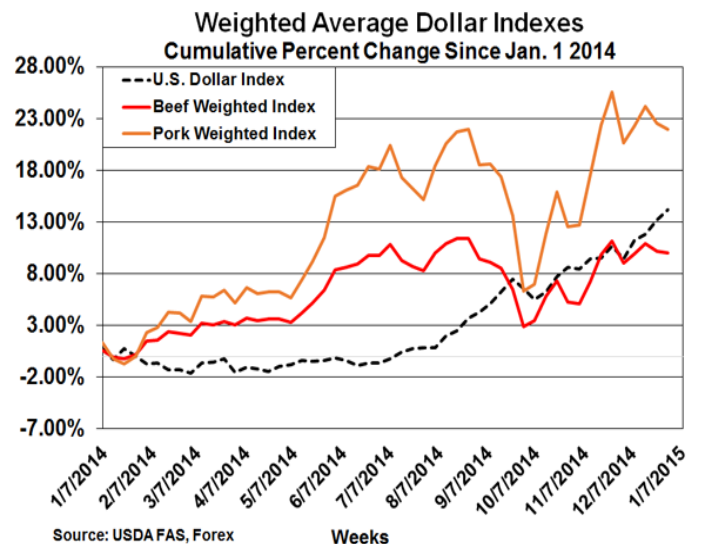
the USDA next week. Assuming no significant revisions are made to total corn supply, projected exports, or feed and residual usage, stocks to use expectations remain from 14-16% for the 2014/15 market year into the spring, major resistance is expected in the \$4.00 to \$4.25/bu range, basis spot corn futures, with major support in the \$3.50-\$3.65/bu range. *Chad Spearman*

Dollar Strong Against Key Meat Destinations

2014 was a strong year for the U.S. economy. Cold weather negatively impacted production in the first quarter of the year, but in Q2 and Q3 the U.S. GDP rose 4.6 and 3 percent respectively. Other major world powers are not performing as well, with some worried about the prospect of a global recession in the next 3 to 5 years. An indicator of our relative strength as a nation is the relative strength of the U.S. dollar, up 14 percent in the last 52 weeks. The dollar index is a measure of how the U.S. dollar has performed relative to a select amount of foreign currencies.

The dollar index is an influencer on international trade, because a strong dollar makes it more expensive for foreign countries to buy our goods, or in this case, U.S. beef and pork. However, only two of our top destinations for meat exports are included in the dollar index (Canada and Japan).

Two new indexes were created using the Mexican Peso, Canadian Dollar, Japanese Yen, Chinese Yuan, and the Korean Won. After weighting the currencies by their volume shares of U.S. total beef and pork exports, the two new dollar indexes look very different. The beef dollar index shows a 9.61 percent increase in the value of the dollar, and the pork dollar index shows an impressive 21.13



percent increase in the value of the dollar. It's likely that a strong dollar will persist in 2015, lending negative pressure to U.S. meat exports, especially for pork. Exports to some countries, like Mexico and Canada, are more at risk. *Marcus Brix*

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Extended Weather Outlook

Extended Range Outlook January 2015 through March 2015

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

The 2014 El Nino event has experienced strong opposition from South Pacific and North Atlantic weather patterns during the past two months. Extensive sea ice and cold waters surrounding Antarctica have led to strong westerlies and storminess in the Southern Hemisphere. Sinking air north of the westerlies has intensified the South Pacific high resulting in strong trade winds pushing north to the equator. It appears this pattern will persist well into January and this will prevent additional warming along the equator in the Pacific. In the North Atlantic a strong high pressure system has developed

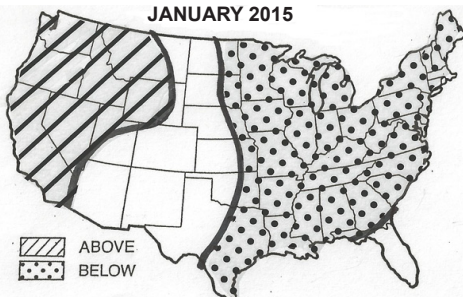
from Spain to Florida and this belt of high pressure is preventing the formation of a split jet stream pattern across Mexico and the Gulf of Mexico. The newest set of analog years (January 1961, 1994, 2003 and 2012) is now well detached from the main set of historic El Nino events and this is a direct result of the influence from the North Atlantic and South Pacific circulations. In 1994 and 2012 weak El Nino conditions redeveloped in the summer following a cool spring. In 1961 and 2003 weak La Nina conditions were in place by the summer. The strong tug-of-war in Pacific and Atlantic circulation makes forecasting very difficult and the selected analog years suggest the equator may be at a turning point relative to the possible continuation of the El Nino past March.

With oceanic and atmospheric indices shifting away from El Nino forcing, it is not surprising that the January-March forecast for the U.S. shows a major shift away from a classic wet-mild winter for much of the country. Despite the very warm waters off the West Coast, Pacific storms will have great difficulty in breaking into the West Coast Ridge. East of this strong high pressure ridge, recurrent cold outbreaks will keep the Midwest and East colder than normal as Pacific air is blocked from flowing eastwards. A weak split jet pattern is still likely to develop in the Southwest, but moisture will be below the levels previously anticipated. After a wet December it now appears that the northern half of California will have subnormal precipitation through the spring (totals strongly impacted by a very dry January). NOAA forecasts continue to show a broad area of above normal

precipitation from central California into the south central plains into the spring, but this is not very likely given the current shift in world weather patterns. The Midwest is likely to remain drier than normal into the spring with temperatures averaging below normal through February and possibly March. The forecast through early spring indicates that drought conditions are likely to remain unchanged from northern California into the northern plains and upper Midwest. A decided shift to La Nina conditions in the spring could increase the threat of drought through the northern half of the U.S. and southern Canada.

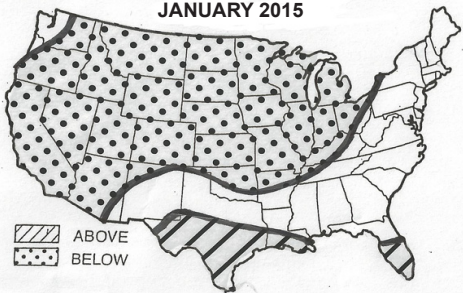
TEMPERATURE OUTLOOK

JANUARY 2015



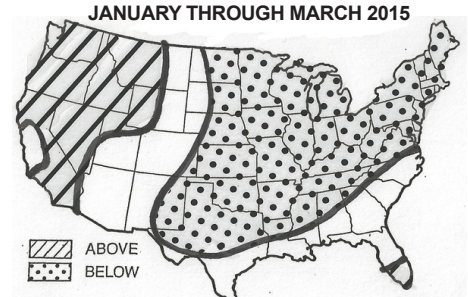
PRECIPITATION OUTLOOK

JANUARY 2015



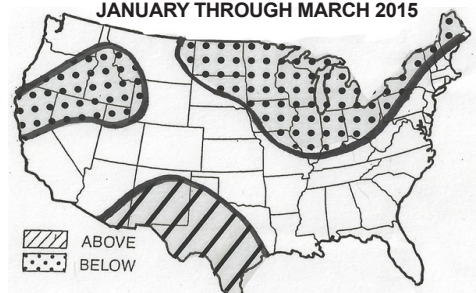
TEMPERATURE OUTLOOK

JANUARY THROUGH MARCH 2015



PRECIPITATION OUTLOOK

JANUARY THROUGH MARCH 2015

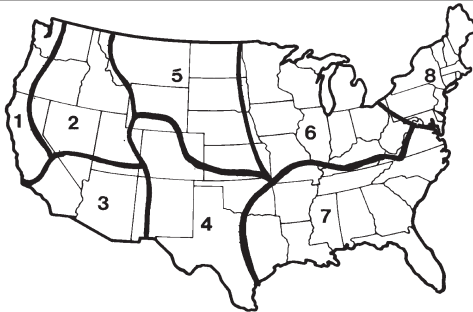


Region 1. Temperatures will average above normal due to warm offshore waters and high pressure ridging. January will be very dry in the southern half of the region with slow improvement to near normal by February. Probable departures: temperatures to +2F north; precipitation less than 50% southern half January rising to at least 90% late winter and early spring, wetter north.

Region 2. Temperatures will remain above normal under a strong high pressure ridge. Precipitation will be well below normal in January with a slow rise to near normal levels far southeast late winter and early spring. Probable departures: temperatures to +2F western half; precipitation 60-80% normal most areas, wettest late winter and early spring.

Region 3. January is likely to be very dry in western sections. A weak split jet stream pattern will keep eastern areas wetter than normal by late winter and early spring. Probable departures: temperatures +2F west to normal east; precipitation less than 50% normal January rising to 110% southeast half late winter and early spring.

Region 4. Despite weakening influences



from El Nino, this region is still likely to have a slightly wetter than late winter and spring. Cold outbreaks and cloudy wet weather will keep temperatures slightly cooler than normal in eastern sections. Probable departures: temperatures to -2F eastern third; precipitation 120% southern half to normal far north mountains.

Region 5. The western ridge will keep the mountains warm and dry while the eastern plains will have frequent cold outbreaks with subnormal snowfall. Probable departures: temperatures +2F far west to -2F far east; precipitation 70-90% normal, wettest upslope areas.

Region 6. After a warm December colder than normal temperatures are expected through late winter with subnormal precipitation and seasonally light snowfall. Early spring field work will be helped by dryness. Probable departures: temperatures to -2F through February; precipitation 70% north to near normal far south.

Region 7. A weak split jet stream pattern is forecast to form and this will tend to keep precipitation at near normal levels through southern sections. Temperatures will remain cooler than normal through the northern half and slightly above normal Florida. Probable departures: temperatures: -2F far north to normal coastal areas; precipitation to 120% west to normal north.

Region 8. Cooler than normal weather is forecast through late winter and precipitation will be below normal precipitation in western sections. The main storm track will tend to be to the east and this will not be favorable for an active Nor'easter winter. Probable departures: temperatures to -3F far west mid winter followed by slow warming; precipitation 80% normal west to normal coast.

Strong Spring Outlook for Cull Cow Prices

**Slaughter
Cow
Update**

Cull cow prices have weakened slightly over the holiday season but expect prices to continue moving higher with the seasonal price pattern into the spring. The current average U.S. Utility cow price is \$112/cwt. Expect support to remain near current levels moving into spring 2015, with prices likely moving upward. The seasonal price increase from the fourth quarter low to the following spring high is 26 percent. Using a typical spring rally from the fourth quarter low of \$112/cwt would equate the spring high near \$141 for Utility cows. Although expect the spring rally to underperform from the already elevated price levels currently.

Reduced lean supply continues to be the driving force. Beef cow slaughter for 2014 was down 18 percent for the year (558,100 head), dairy cow slaughter was down 10 percent (304,200 head) and total cow and bull slaughter is down 14 percent (862,300 head).

Imports continue to be a concern for cull cow prices moving forward, as the U.S. continues to buy more lean beef away from other countries. This has occurred due to the 90's lean trim maintaining strong price levels and is expected to strengthen with the seasonal trend. *Ethan Oberst*

Female Markets Near Steady

**Females
Update**

Winter weather, fast moving futures markets and price uncertainty going forward has reduced buyer interest in females at the present time. That's not to say the bred female markets are any weaker, they're just more at a standstill than they have been in recent months.

In addition, most bred heifers are or soon will be calving. Bulk of buyers that had interest in accumulating more inventory have already done so or will be forced into buying pairs very soon. Many bred cows will calve later than heifers and there is still interest in purchasing them but maybe more towards late winter. Bred female prices continue to range anywhere from \$2,500 to \$3,200 in most regions of the country.

Open replacement quality heifers are seeing more interest at the present as buyers want to stake claim on the upper end of the quality versus picked over groups. Prices being paid continue to be the equivalent of what the steer mates at the same weight will bring or higher. *Troy Applehans*

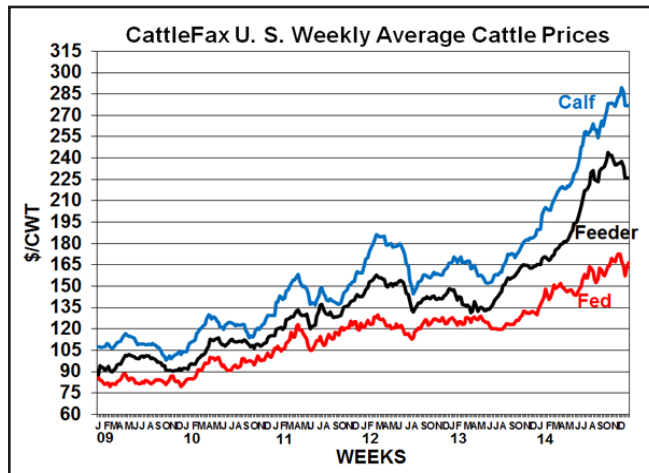
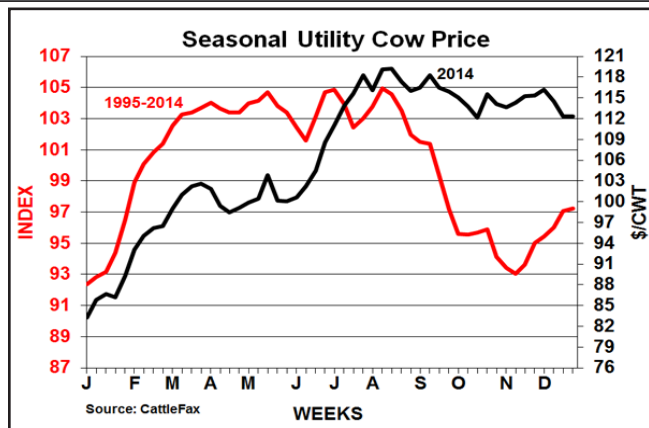
Projected COF Higher to Start 2015

**Cattle-
on-Feed
Estimate**

Cattle-on-feed on January 1st is forecasted 1.5 percent above 2014. December marketings are projected down 4 percent from last year, with placements lower by 3 percent. There were 4.4 marketing weeks this December, one day more than 2013. Federally inspected steer and heifer slaughter was lower by 4 percent from December of last year.

U.S. Cattle-on-Feed January 1, 2015 (000) head 1,000+ capacities				
	Average			
	2009-2013	2013	2014	% year ago
COF Dec. 1	11405	10724	10876	101.4
Placed	1649	1679	1629	97
Marketed	1753	1736	1675	96
Other Dis.	76	77	76	99
COF Jan. 1	11225	10590	10754	101.5

Placements were higher for the first two months of 2014, before a string of lower months left the total year over year change down 1.5 percent. Year over year total marketings are projected to be 5 percent lower. *Marcus Brix*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fed steers												
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	170.56	163.51
750-lb steers												
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	235.87	229.83
650-lb steers												
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	254.29	253.34	248.40
550-lb steers												
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	280.64	281.21
450-lb steers												
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	320.96	320.95
Utility Cows												
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	114.63	113.52

Average Prices December, 2014

	Western	Midwest	Northwest	Southeast
Bred Cows	2000-2800	2500-3100	2000-2800	2300-2800
Bred Heifers	2000-2800	2500-3200	2000-2800	2300-2800
Pairs	2600-3500	2850-3600	2600-3500	2750-3400

Holstein Market 09-Dec-2015

	CA/AZ	TX/KS	ID/UT	CO/NE	Midwest
Live	162-163	NT	NT	NT	NT
Dressed	NT	NT	NT	NT	NT
Calves/feeders (\$/cwt)					
325 lbs.	275-285	NT	270-280	NT	NT
400-500 lbs. del.	NT	NT	228-243	NT	NT
800 lbs. del.	NT	NT	158-163	NT	NT
Day-old f.o.b.(\$/hd)	425-475	NT	405-425	NT	NT

Protecting Profit

The overall volatility of the cattle markets since late November has been vast. February live cattle futures went from a high of \$172.75 on November 20th to \$155.10 less than a month later on December 18th. On a 1,350-pound steer that is a difference of nearly \$250/head. The deferred months have incurred similar volatility, with April, June and August live cattle contracts all experiencing violent swings of over \$16/cwt during roughly the same time period.

Feeder cattle haven't been invulnerable to the enormous price variance. The Feeder Cattle Index was at \$244.99 on December 4th and plummeted to \$214.46 by December 29th. Granted the numbers of cattle going into the index during the holiday period were very low, but that is a difference of nearly \$230/head on a 750-pound steer,

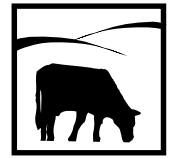
nearly the equivalent of the swings on the fed cattle side. The feeder cattle futures have seen \$20-\$25/cwt differences over the past month and a half and are capable of continuing to see extreme volatility due to the expanded contract limits.

The point to be made is that the markets are very unsettled. \$5/cwt moves in live cattle are impacting feeder cattle about \$8-\$8.50/cwt. This type of movement is becoming very common, very quickly in live cattle futures. It's not uncommon to see over a period of a couple of days that feeder cattle values can deviate over \$60/head. This can easily be the difference between a set of feeders being profitable or losing money.

CattleFax often reiterates the need to protect equity and profit. Everyone wants to hit the highs of the market. That's always a risky proposition, particularly in this current volatile environment.

Bottom Line: There are a multitude of various breakeven scenarios around the country on feeder cattle, primarily depending on when they were bought. There are sets of cattle that are going to make a lot of money, sets of cattle that are destined to lose money and sets of cattle that producers are going to be thankful to breakeven on. However, one thing the volatility of the market does provide is opportunity – due to price movement. The opportunity is hopefully the ability to protect price at a profitable level. It has often been said there are two reasons people hedge, futures/options or forward contract cattle, and that is because they are making a profit or they are trying to limit the loss. As producers of feeder cattle in this volatile environment, protecting profit on at least a portion of the cattle must be top of mind. The volatility is likely to hang around for a while longer while the market sorts out the direction it wants to go. *Troy Applehans*

Feeder Cattle Outlook



Feeder Cattle and Calves: Representative Direct Sales					
Area	#Hd	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
ND	100	875	CH Eng X	215	IMM
SD	300	650	CH Eng X	266.04	IMM
CO	500	880	CH Eng X	221	IMM
CO	300	850	CH Eng X - DEL	218.50	IMM
MT	800	905	CH Eng X	215.50	IMM
NM	800	750	CH Eng X	223.95	IMM
TX	800	725	CH Eng X	213	MAR
CENTRAL					
HEIFERS					
CO	300	825	CH Eng X - DEL	212	IMM
MT	400	825	CH Eng X	208	IMM
NM	1,200	700	CH Eng X	215.95	IMM
NM	400	700	CH Eng X	215.55	MAY
NM	350	700	CH Eng X	213.80	MAR
NM	400	700	CH Eng X	215.55	MAY
OK	250	650	CH Eng X	209.65	MAR
SOUTH					
STEERS					
GA	400	725	CH Eng X	224	IMM
GA	250	825	CH Eng X	217.75	IMM
GA	100	875	CH Eng X	212.75	IMM
GA	500	925	CH Eng X	209.25	IMM
AL	150	750	CH Eng X	223.50	IMM
AL	250	840	CH Eng X	214	IMM
SOUTH					
HEIFERS					
GA	150	775	CH Eng X	206.50	IMM

Feeder Cattle Prices Sponsored by:

Ranch Tested. Rancher Trusted.

Red Angus

Feeder Cattle Prices 09-Jan-2015

West & Northwest

Wt/OR						
	CO	MT/WY	CA	NV/UT	AZ/NM	ID
STEER						
9-10	213-218	209-217	199-204	197-203	198-209	195-203
8-9	222-227	218-226	209-214	207-213	208-218	205-213
7-8	232-238	228-237	222-228	221-227	221-229	219-228
6-7	250-259	246-258	246-255	240-254	241-253	238-250
5-6	284-295	278-292	282-293	278-292	259-291	276-290
4-5	323-335	305-320	325-337	320-336	303-335	317-333
HEIFER						
8-9	209-214	205-213	194-199	192-198	193-205	190-198
7-8	215-221	211-220	204-210	203-209	203-212	201-210
6-7	225-234	219-231	225-234	222-233	216-232	220-232
5-6	245-256	239-253	264-275	258-274	234-273	256-270
4-5	286-298	280-295	288-300	285-299	277-298	283-298
COWS						
util	106-116	107-117	107-115	102-113	100-113	101-113
cn/cut	99-109	96-110	98-106	94-106	95-105	92-107
bulls	125-135	122-134	114-127	114-128	112-133	113-130

West — The first test after the holidays found feeder cattle steady to \$4 higher and calf prices \$7 to \$13 higher. However, downward pressure is expected next week. Cow prices were steady to \$4 lower. — Chad Spearman

Central

	TX	KS/MO	ND/SD	NE	OK	IA
STEER						
9-10	208-212	210-218	213-218	211-216	212-216	210-215
8-9	218-222	218-225	219-224	219-224	223-227	222-227
7-8	234-239	229-238	236-242	229-235	235-240	228-234
6-7	247-254	250-258	250-259	250-259	259-266	254-263
5-6	278-288	270-280	284-295	286-297	285-295	291-302
4-5	308-320	330-350	313-325	318-330	338-350	322-334
HEIFER						
8-9	202-206	199-206	204-209	209-214	201-205	208-213
7-8	216-221	216-223	218-224	215-221	218-223	218-224
6-7	230-237	225-237	227-236	223-232	233-240	225-234
5-6	240-250	245-255	244-255	244-255	250-260	245-256
4-5	278-290	278-310	283-295	283-295	294-306	283-295
COWS						
util	104-114	107-119	106-116	108-118	112-120	109-119
cn/cut	100-110	97-117	99-109	99-109	103-112	101-111
bulls	130-135	127-138	124-134	125-135	134-141	125-135

Central — Compared to last best test prior to holidays, feeder cattle prices are \$6 to \$10 higher. Calves ranged from \$2 to \$15 higher. Market cows are near steady.

— Troy Applehans

Southeast

	AL	AR	FL	GA	LA/MS	KY/TN
STEER						
9-10	206-210	204-208	202-206	206-210	206-210	211-215
8-9	214-218	216-220	210-214	214-218	214-218	216-220
7-8	220-225	225-230	216-221	220-225	220-225	223-228
6-7	229-236	247-254	235-242	238-245	238-245	232-239
5-6	275-285	280-290	256-266	258-268	275-285	253-263
4-5	303-315	311-323	306-318	308-320	308-320	293-305
HEIFER						
8-9	203-207	203-207	199-203	203-207	203-207	196-200
7-8	210-215	213-218	206-210	210-215	210-215	200-205
6-7	215-222	219-226	212-219	215-222	215-222	213-220
5-6	230-240	240-250	223-233	225-235	230-240	220-230
4-5	255-267	273-285	258-270	260-272	263-275	244-256
COWS						
util	111-118	104-112	108-117	109-118	103-113	104-111
cn/cut	104-109	99-106	103-110	104-111	96-106	102-108
bulls	126-134	127-135	134-141	135-142	133-143	123-133

Southeast — Compared to last best test prior to holidays, feeder cattle prices are steady to \$6 higher. Calf prices ranged from steady to \$15 higher. Market cows were mostly steady. — Troy Applehans



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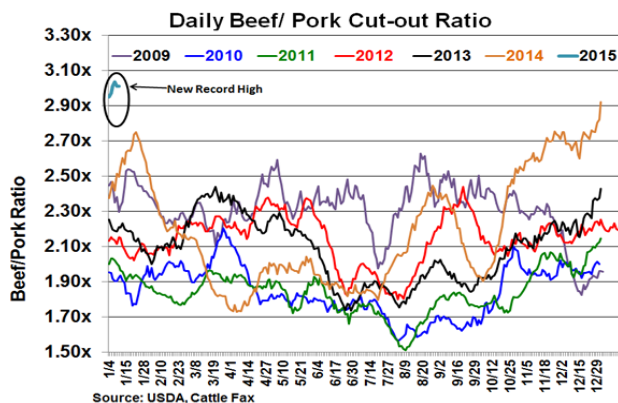
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Beef High Relative to Competing Meats

In previous Update articles, analysts have discussed the need to watch the price relationship between beef and competitive meats closely. This could easily affect beef demand moving into the New Year. The supply situation could not be more different. Pork and poultry supplies are projected to be up 4 to 5 percent in 2015. Beef supplies could be steady to down 1 percent.

It is reasonable to expect the price relationship between beef and the competition to be relatively wide, but have they reached an extreme? The beef cutout ratio is currently 3.1 times higher than the pork cutout – a record high. In the past, this relationship never spends much time above 2.5 to 2.6 before correcting back toward more normal ranges. There are numerous methods to measure the relationship between beef and chicken. One of those is the beef cutout to wholesale chicken breast price. It is also at record highs with the beef cutout around 1.9 times higher than chicken breast prices.

Bottom Line: Year-over-year pork and chicken prices are relatively flat or unchanged, while the beef cutout is more than \$40/cwt higher. This has the potential to weaken beef demand in 2015. The margin incentive for retail and food service to promote more pork and chicken is evident. *Alan Smith*



F.I. Slaughter Mix (000 head)

		----- Week Ending -----		----- Year To Date -----		
		27-Dec-2014	28-Dec-2013	2014	2013	Pct Chg
Total Slt		390	432	29589	31795	DN 6.9
	Pct	No	Pct	No		
Steers	51.5	201	48.4	15314	15929	DN 3.9
Heifers	27.4	107	29.2	8364	9081	DN 7.9
Cows	19.5	76	20.8	5366	6229	DN 13.9
Bulls	1.5	6	1.4	546	556	DN 1.8

Summary of Activity Sponsored by:



FULL VALUE BEEF™

Summary of Activity	This Week 9-Jan-15	Last Week 2-Jan-15	Year Ago 10-Jan-14
CattleFax Data			
Placements	83,174	75,419	98,509
Shipments	132,372	123,194	137,091
Avg In-Weights	720	730	743
USDA SltR Wgts	1,367	1,366	1,337
USDA Str Carc Wgt*	897	892	872
Days on Feed	163	146	152
Carryover Pct	39	39	31
Weekly Supply	455,800	454,700	355,200
Percent Grade Choice & Higher	71.70	70.66	70.71
Prime Grade Pct	5.15	4.83	4.24
Choice Grade Pct	66.55	65.83	66.47
Select Grade Pct	22.70	23.75	24.60
Live Prices (\$/cwt)			
Slaughter Steers	170.16	166.78	139.28
Steer Calf (450#)	323.52	316.82	222.16
Steer Calf (550#)	282.00	276.79	199.68
Yearling Steer (650#)	250.54	243.19	179.05
Yearling Steer (750#)	230.73	225.76	168.97
Yearling Steer (850#)	219.61	212.80	161.86
Utility and Commercial Cows	111.42	112.28	85.81
Canner and Cutter Cows	104.48	105.44	79.08
Lean Hogs	75.17	76.64	79.18
Omaha Corn (\$/bu)	3.74	3.77	4.07
12-City Broiler	104.07	100.03	98.56
Dollar Index	92.37	91.02	80.59
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	262.16	256.43	212.12
Choice Cutout	254.57	248.90	212.05
Select Cutout	245.34	238.57	209.05
Choice/Select Price Spread	9.23	10.33	3.00
Cow Cutout	238.42	237.64	172.18
Hide and Offal	15.49	15.49	14.80
Pork Cutout	83.91	84.40	84.64
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	538.0	452.0	572.0
Hogs	2,163.0	1,998.0	2,089.0
Total Red Meat Production	910.9	804.9	901.2
Beef Production	442.5	371.7	455.9
Pork Production	464.3	429.5	440.5
Poultry Production	N/A	687.9	781.2
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu 01/08	N/A	170.28	169.91
Wed 01/07	235.16	169.25	168.95
Tue 01/06	233.53	168.19	167.84
Mon 01/05	232.10	166.84	165.96
Fri 01/02	228.74	166.83	165.96

* 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)