

CattleFax UPDATE

THE
DECIDING
FACTOR

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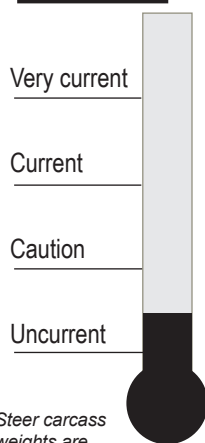
Revalor-XS
(trenbolone acetate and estradiol)

Cash Fed Market Still Has Risk

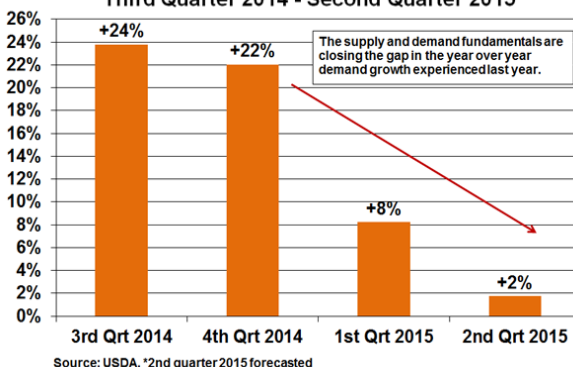
In the CattleFax Long Term Outlook published in January the cash fed market was projected to average in the mid \$150's/cwt in 2015, just slightly higher than the 2014 average price of \$154/cwt. Total U.S. beef production for 2015 has been revised slightly higher from the previous forecast due to the bigger feeder and calf supply reported by USDA on January 1. The forecast for total beef production was increased 150-200 million pounds from the prior forecast, but is still 0.5 percent (150 million pounds) smaller than last year at 24.15 billion pounds. Based on the fed price outlook and beef production forecast this would suggest fed cattle demand will be down 1 percent in 2015 versus last year. And given the larger competing meat supplies and slowdown in exports, a lower demand expectation versus 2014 is still very likely.

First quarter fed cattle demand is on pace to be up 8 percent based on per capita net beef supply being down about 1 percent, and the cash fed price likely to average near \$160-\$161 for the quarter. Looking into the second quarter, per capita net beef supply is expected to be even with last year, but to average in the mid \$150's for the year the second quarter average cash price is likely to be near \$153/cwt, which would put demand up 2 percent for the quarter. And based on the historical price data, the range around the second quarter average would likely be the low-to-mid \$140's to upper \$150s.

Currentness



Year Over Year Change in Fed Cattle Demand
Third Quarter 2014 - Second Quarter 2015



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Market Highlights

Fed cattle trade was not fully established in the North or South as of press time, however, the market tone has been steady to softer so far during the week. Light trade in the North has been recorded at \$157 on a live basis, \$1 to \$2 lower than last week. On a dressed basis, cattle have traded at \$252, \$2 to \$4 lower compared to last week. Boxed beef values were strong as limited supplies helped provide support. Feeder cattle were once again lightly tested due to winter weather restricting receipts. On the light test, feeder cattle were mostly \$4 to \$6 lower and calves were steady compared to last week. Slaughter cows were steady to \$4 higher. Spring corn maintained its trading range for the week, closing even on a weekly basis. Spring corn has been in a 25 cent trading range since the middle of January, between \$3.75 and \$4.00, basis the May contract.

2015 CATTLEFAX SEMINAR DATES

June 17-18
Risk Management Seminar

July 22-23
Corporate College Seminar

September 16-17
Risk Management Seminar

All meetings held in Denver, CO
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This supply and demand outlook is suggesting that the cash market has risk from the recent price range of the low \$160's going into the second quarter. The question is what would it take to sustain the demand growth from the first quarter and be up 8 percent again in the second quarter? Improving exports, a recovery to the drop credit back to last fall highs of \$17/cwt and sustained domestic hamburger demand at record high levels. It is important to remember that last year during the perfect storm, relative to how small the protein supply was, cash still went \$10/cwt lower from the second quarter high to the second quarter low.

Bottom Line: The big drop in beef supply from 2013 to 2014 is now behind us, competing meat supplies are already much larger than last year and export demand is slowing – all of these factors suggest the cash fed market still has risk from current levels looking into the second quarter. *Tod Kalous*

Manageable Supplies, Strong Basis

Fed cattle supplies will remain manageable, historically speaking, over the next 30 to 60 days before increasing moving into the summer. Beef usage seasonally improves moving into warmer weather, although with large supplies of lower priced competitive proteins the up-side of the beef complex is limited. At the same time the futures complex continues to trade a contra-seasonal pattern, which would suggest the cash market will be softer and underperform the fed cattle supply fundamentals moving forward. Cattle feeding margins are expected to remain negative for the foreseeable future – which at some point, combined with low costs of gain in relationship to fed cattle values, will cause the cattle feeder to fight the market and lose currentness and bargaining position. As that occurs, the packers will gain leverage over the cattle feeder and the cash market will have additional risk.

Next Week: Fed supplies will be near even. The beef complex will trade firmer. Fed cattle prices are expected to trade in the upper \$150's.



Projected Fed Market Table is sponsored by

Projected Fed-Cattle Marketings (000 Head) 27-Feb-2015

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
FEB	843	471	1314	729	40	4.2	122	92
MAR	775	486	1261	715	46	4.0	125	95
APR	650	609	1259	780	41	4.4	124	93
MAY	717	542	1259	853	36	4.4	136	98
JUN	854	469	1324	813	42	4.0	142	95
JUL	802	577	1379	920	37	4.4	146	107

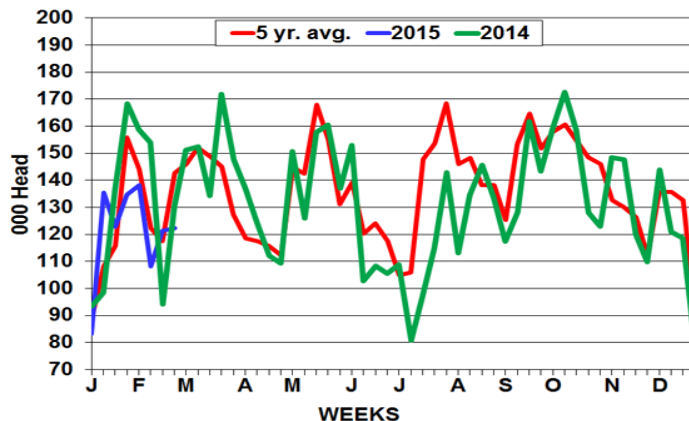
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	534	2013	568	541	614	598	705	641	592	597	516
2015	539	488	2014	553	589	586	626	597	596	539	560	455
Weekly Averages (000 hd)												
2014	137	133	2013	135	123	139	150	160	146	148	130	129
2015	128	122	2014	132	134	139	149	136	142	128	122	120
15%14	93	92	14%13	98	109	100	99	85	97	86	94	93
15%5Yr	93	88	14%5Yr	103	105	99	101	89	96	89	95	93

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	529	2013	614	532	688	523	599	576	576	702	576
2015	487	490	2014	635	542	643	494	495	551	613	679	526
Weekly Averages (000 hd)												
2014	138	132	2013	146	121	156	131	136	131	144	153	144
2015	116	122	2014	151	123	153	118	113	131	146	148	138
15%14	84	92	14%13	103	102	98	90	83	100	101	97	96
15%5Yr	88	93	14%5Yr	108	107	102	97	81	89	91	95	101

CattleFax Placements



Fed-Cattle Outlook

March-April: Supply fundamentals will remain supportive. But, the trend and level of the futures complex continues to suggest a downward bias to the cash market. As long as open interest continues to exit the cattle complex it will be difficult to have a prolonged rally in the live cattle futures. Look for strong fed cattle basis to continue. Volatility will continue, with prices ranging between the low \$150's to near \$160 expected.

May-June: Fed cattle supplies will increase moving through this timeframe. With record high breakevens, look for large cattle feeding losses and a deterioration of bargaining position. This along with large supplies of lower priced proteins will result in a softer and an underperforming cash market. *Kevin Good*

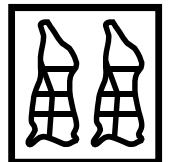
Contract and Formula Cattle 27-Feb 2015

	Scheduled in February	Shipped in February	Scheduled in March	Scheduled in April
Kansas	233,000	233,000	210,000	205,000
Texas	225,000	225,000	250,000	250,000
Colorado	75,000	75,000	75,000	75,000
Nebraska	200,000	200,000	200,000	200,000
Totals	733,000	733,000	735,000	730,000
Basis Bids	April	May	June	
Steers	\$2 to \$4 over	\$3 to \$6 over	\$2 to \$3 over	
Heifers	\$2 to \$4 over	\$3 to \$6 over	\$2 to \$3 over	

Limited Supplies Keep Asking Prices Firm

The Choice boxed beef cutout was quoted \$7.11 higher for the week, Selects over the same period advanced by \$8.19. The limited slaughter rates over the past couple of weeks have left sellers in a well sold position and therefore able to raise asking prices.

Beef Complex



Buyers remain short bought, partially because of weather concerns as well as ample pork and poultry supplies, and partially because little beef is currently being offered. Many buyers are content being short bought for now and then will extend inventories once the weather warms and we get closer to the spring grilling season.

Next Week: Limited production again this week will leave sellers with leverage, resulting in higher beef values. Look for Choice boxes to sell from \$248 to \$252, Selects between \$245 and \$249. *Duane Leng*

Fed Cattle Prices 27-Feb-2015

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	N.T.	N.T.	N.T.	N.T.	61,500	100%
KS	N.T.	N.T.	N.T.	N.T.	57,000	100%
NE	157	252	157	252	57,000	88%
CO*	156-156.50	N.T.	156-156.50	N.T.	19,000	92%
CB	157	252	157	252	7,500	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

Price Risk Largest for Heavier Cattle

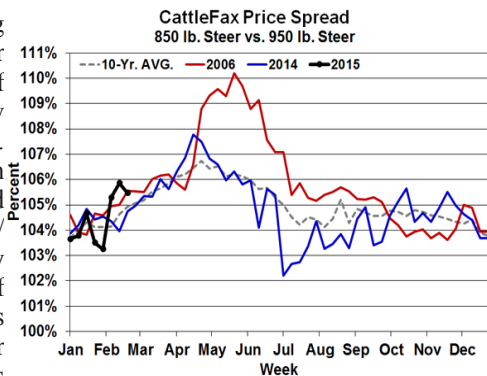
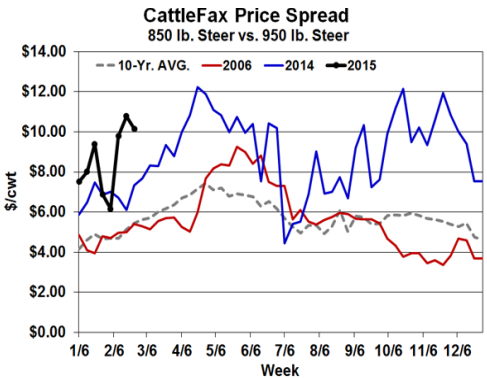
Cash feeder cattle prices have trended lower from the highs back in October and additional risk into the spring, which has been well documented, still exists. Ever since cattle prices at all weights began to rally sharply higher in the summer of 2013 we have had to adjust to new and higher trading ranges. With the higher price levels, the price and basis changes in terms of dollars per hundredweight seemed inconceivable and over time we have adjusted by referring to historical changes on a percentage basis to maintain an apples-to-apples comparison.

From a seasonal perspective, 850-pound steer prices (U.S. Average) tend to rise relative to 950-pound steer prices from January through April. So, in a higher trending market 950-pound prices will rise slower, and

in lower trending markets they will decline faster. The 10-year average premium for 850-pound steer prices over 950-pound steer prices starts at \$4/cwt and rises to a late April high near \$7/cwt. Last year, however, that premium moved from \$6/cwt to more than \$12/cwt which was the largest weekly premium on record. The point is that adding another 100 pounds to feeder cattle looks very enticing if costs of gain are well below the potential price received. For example, costs of gain from \$0.50-\$0.75/lb compared to the additional \$1.85-\$1.95/lb being realized for every pound gained. The trade off looks promising if cash prices held steady (850-pound steer near \$195) at current levels and one only gave up the \$10/cwt spread by feeding the cattle for another month (950-pound steer near \$185). The risk is that if cash prices decline another \$10/cwt from current levels, AND the spread widens to say \$14/cwt (or 108%), then the incremental gains would be offset by a sharp reduction in price received at 950-pounds. On a percentage basis, spread precedence at 108%-110% has already been set – just last year and back in 2006.

Bottom Line: With cost of gain levels relatively low compared to the potential price received, the incentive remains to add weight to feeder cattle. However, additional price and spread risk could potentially remove the incentive for adding more weight over the next several weeks.

Chad Spearman



Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
TX	1,150	825	Choice English X	195.90	MAR
TX	100	800	CH Eng X - DEL	200.20	MAR
CO	400	725	CH Eng X - DEL	211.00	IMM
IA	400	840	Choice English X	193.50	IMM
NM	500	810	Choice English X	195.13	IMM
SD	300	925	CH Eng X - Fancy	193.00	IMM
CENTRAL					
HEIFERS					
OK	200	700	Choice English X	192.10	JUL
TX	100	800	Choice English X	191.60	MAR
TX	200	700	Choice English X	196.75	APR
TX	150	725	Choice English X	188.30	MAY
TX	100	700	Choice English X	195.50	JUN
NM	200	725	Choice English X	195.50	IMM
SOUTH					
STEERS					
GA	150	775	Choice English X	200.00	IMM
SOUTH					
HEIFERS					
GA	150	775	Choice English X	178.00	IMM
Live Cattle Imports, Year-to-Date Totals					
	14-Feb-15	15-YTD	14-YTD		
Canada					
Feeders	12,357	55,369	43,729		
Slaughter	10,240	64,562	102,010		
	21-Feb-15	15-YTD	14-YTD		
Mexico	25,349	152,601	141,070		

Feeder Cattle Price 27-Feb-2015

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
wts	STEER						wts	STEER						wts	STEER					
9-10	184-189	180-188	179-184	177-183	174-183	175-181	9-10	178-182	176-180	180-185	185-190	178-182	186-191	9-10	173-177	174-178	169-173	173-177	173-177	178-182
8-9	197-202	193-201	189-194	187-193	186-193	185-191	8-9	190-194	190-198	195-200	198-203	192-196	196-201	8-9	186-190	190-194	182-186	186-190	186-190	191-195
7-8	213-219	206-218	204-210	201-209	194-209	199-206	7-8	206-211	206-216	213-219	215-221	206-211	214-220	7-8	200-205	209-214	196-201	200-205	200-205	195-200
6-7	237-246	233-245	232-241	227-240	223-239	225-235	6-7	235-242	231-250	235-244	241-250	238-245	240-249	6-7	220-227	236-243	217-224	220-227	228-235	227-234
5-6	272-283	268-282	267-278	264-277	262-276	262-274	5-6	266-276	270-282	270-281	274-285	270-280	273-284	5-6	265-275	267-277	258-268	260-270	260-270	255-265
4-5	304-316	300-315	308-320	302-319	294-318	299-313	4-5	298-310	298-310	303-315	303-315	305-317	303-315	4-5	308-320	293-305	301-313	302-314	298-310	273-285
	HEIFER							HEIFER							HEIFER					
8-9	184-189	180-188	181-186	179-185	173-185	177-183	8-9	176-180	176-180	181-186	178-183	180-184	178-183	8-9	172-176	175-179	168-172	172-176	172-176	175-179
7-8	200-206	196-205	195-201	194-200	189-200	192-199	7-8	183-188	187-195	189-195	195-201	183-188	194-200	7-8	182-187	188-193	176-181	180-185	182-187	190-195
6-7	227-236	223-235	211-220	208-219	209-225	206-216	6-7	203-210	203-213	218-227	213-222	206-213	212-221	6-7	202-209	206-213	200-207	203-210	202-209	203-210
5-6	242-253	238-252	244-255	240-254	231-253	238-250	5-6	228-238	225-245	234-245	237-248	235-245	236-247	5-6	230-240	225-235	228-238	230-240	230-240	218-228
4-5	269-281	265-280	274-286	271-285	258-284	269-282	4-5	256-268	258-272	263-275	268-280	258-270	267-279	4-5	268-280	258-270	263-275	264-276	264-276	238-250
	COWS							COWS							COWS					
util	101-111	97-111	108-116	104-115	96-114	106-115	util	106-115	109-116	101-111	103-113	113-120	103-113	util	1118-124	105-115	116-126	117-127	105-115	104-110
cn/cut	97-107	92-105	99-107	99-107	85-105	97-105	cn/cut	104-110	100-113	97-107	97-107	102-110	96-106	cn/cut	110-115	102-110	110-117	111-118	102-108	99-104
bulls	122-132	118-130	120-133	116-132	118-131	117-133	bulls	125-135	133-143	119-129	125-135	132-140	121-131	bulls	130-140	130-140	137-147	138-145	135-145	134-137
West — Feeder cattle prices were \$2 to \$3 lower. Calf prices were mostly steady to \$3 lower with the exception of light heifers which were stronger. Cow prices were mostly \$2 to \$5 higher.							Central — Feeder cattle prices were mostly \$4 to \$6 lower for the week. Calves were narrowly mixed, but ended mostly steady. Market cows were steady to \$4 higher.							Southeast — Limited receipts due to inclement weather in the entire region. Feeder cattle prices were steady to a \$5 lower. Calves were near steady. Market cows steady to \$3 higher.						
							— Troy Applehans							— Troy Applehans						



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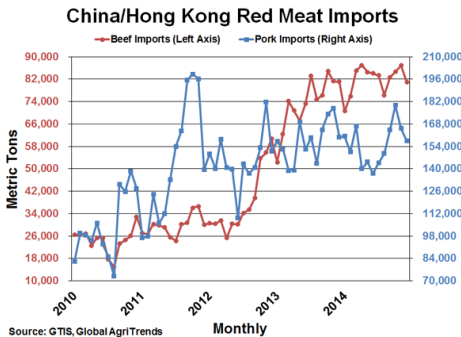
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China – Beef & Pork

The pork market remains weak with the cutout moving into new lows this week, below \$70/cwt, and the lean hog index near the low \$60's the last several days. Clearly, the west coast port slowdown the last couple of months has hurt the ability of pork processors to export pork. The big issue relative to the pork industry has been the lack of product being exported to China from the U.S. – it declined about 19 percent in 2014 vs. 2013. The remainder of the globe fared better, as total pork imports into China/Hong Kong were up 3 percent from a year ago when you exclude the U.S. The concern is that China is not aggressive buying U.S. pork – is this just a reflection of their big herd liquidation or is it something else?

The Chinese have shown signs of demanding less beef as well. In 2014 compared to 2013, imports of beef were up 11 percent, however for the second half of the year of 2014 vs. 2013, imports were only up 3 percent. The China beef import market is volatile, and it should be noted that it can change quickly and growth can be nearly exponential. But, the global beef industry would prefer an uptrend continuing from China.

Bottom Line: China has slowed the total amounts of pork and beef they are importing the last several months. The trends are still positive, but the rate of increases, or the lack thereof, in 2014 are a disappointment compared to 4-5 years ago, as the chart illustrates. With increasing global pork production in 2015 and expectations for bigger global beef production in 2016, this slowdown must be monitored closely and hope that it is nothing more than a bump in the road. *Michael Murphy*



Summary of Activity Sponsored by:



Summary of Activity	This Week 27-Feb-15	Last Week 20-Feb-15	Year Ago 28-Feb-14
CattleFax Data			
Placements	122,277	121,154	151,055
Shipments	118,786	115,825	134,323
Avg In-Weights	756	741	739
USDA Sltr Wgts	1,360	1,360	1,329
USDA Str Carc Wgt*	881	884	862
Days on Feed	N/A	142	142
Carryover Pct	40	39	31
Weekly Supply	473,300	427,300	350,900
Percent Grade Choice & Higher	75.15	74.10	71.17
Prime Grade Pct	5.08	4.60	3.99
Choice Grade Pct	70.07	69.50	67.18
Select Grade Pct	19.16	20.28	23.33
Live Prices (\$/cwt)			
Slaughter Steers	N/A	159.51	150.85
Steer Calf (450#)	306.29	305.89	232.27
Steer Calf (550#)	272.96	272.18	210.86
Yearling Steer (650#)	237.21	238.71	189.35
Yearling Steer (750#)	209.49	212.74	172.16
Yearling Steer (850#)	193.84	195.84	162.12
Utility and Commercial Cows	110.53	108.84	96.48
Canner and Cutter Cows	104.33	102.67	90.58
Lean Hogs	64.66	58.32	95.81
Omaha Corn (\$/bu)	3.77	3.80	4.39
12-City Broiler	N/A	92.88	94.40
Dollar Index	95.29	94.40	79.77
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	251.43	248.31	227.00
Choice Cutout	247.03	239.92	221.41
Select Cutout	244.90	236.71	219.00
Choice/Select Price Spread	2.13	3.21	2.41
Cow Cutout	229.46	228.76	192.93
Hide and Offal	14.33	14.27	15.32
Pork Cutout	68.13	72.32	102.90
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	523.0	524.0	569.0
Hogs	2,262.0	2,285.0	2,142.0
Total Red Meat Production	917.8	923.3	921.3
Beef Production	427.0	427.2	458.0
Pork Production	486.3	491.9	458.4
Poultry Production	N/A	747.3	768.6
	CME AVG	6 STATE FED	KS-TX-OK
	FDR PRICE	STR PRICE**	FED STR**
Thu 02/26	N/A	158.73	159.32
Wed 02/25	208.27	159.38	159.97
Tue 02/24	208.61	159.60	159.99
Mon 02/23	208.76	159.86	159.99
Fri 02/20	209.55	159.86	159.99

* 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)

F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
Total Sltr	14-Feb-2015		15-Feb-2014		2015	2014	Pct Chg
	540		540		3784	3973	DN 4.8
	Pct	No	Pct	No			
Steers	48.7	263	51.3	277	1914	1977	DN 3.2
Heifers	29.6	160	28.5	154	1054	1136	DN 7.2
Cows	20.4	110	18.9	102	759	798	DN 4.9
Bulls	1.5	8	1.5	8	58	62	DN 6.5