

CattleFax UPDATE

THE
DECIDING
FACTOR

APRIL 17, 2015 | ISSUE 16 | VOL. XXXXVII

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Cash Fed Market Following Seasonal

Over the past several weeks it has become more clear that the cash fed market is following a more normal seasonal pattern in 2015 – in terms of pushing higher into March and April towards a spring high. Strong beef demand and relatively tight available fed cattle supplies have been drivers in the market, which is typically the case in seasonal years during the spring timeframe.

Seasonally from the cash high in the spring to the summer low it takes an average of 17 weeks, which so far this spring the highs occurred during the first week of April, suggesting a summer low in late July / early August. Historically, since 1990 in only 23 percent of the seasonal years has the summer low occurred before the fourth of July. In nearly 70 percent of the seasonal years the summer low has occurred by the first week in August. Keep in mind that just because the historical data suggests the odds are low for a pre-4th of July low, it can happen as it did last year – the lows in 2014 occurred in the first week of June, just 9 week after the spring high.

In addition to the timing of the seasonal move from spring high to summer low in fed prices is the magnitude of the price break. The average fed price decline from the spring high to the summer low in seasonal years is 13 percent. Using the cash fed price average from a couple weeks ago at \$167.30/cwt as the high, would suggest a summer low in the mid-\$140's is possible.

Keep in mind the live cattle futures market will likely anticipate the summer cash low – meaning the August live cattle futures will likely make a summer low well ahead of when the cash fed market makes a summer low. Furthermore, because of how strong the basis (cash minus futures) is this year, the August live cattle futures trading in the mid-\$140's is already not far from pricing in the average seasonal cash break as discussed above.

CattleFax Fed Steer Price Lows Probability

Currentness

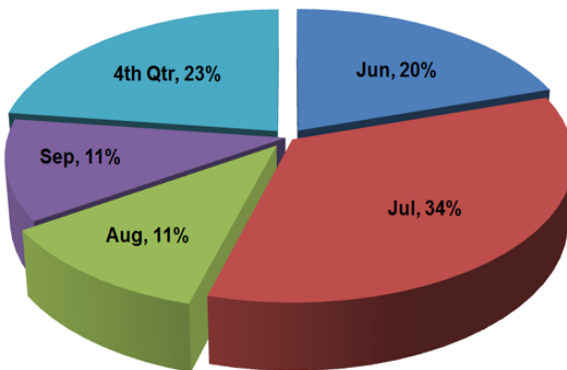
Very current

Current

Caution

Uncurrent

Steer carcass weights are down 5 pounds at 869 and are 18 pounds above last year.



Bottom Line: The cash fed market is following a seasonal pattern with a spring high expected to be followed by a summer low in July or August. That said, if feeder cattle placements increase significantly compared to last year in April and May, this could lead to a larger placed against supply for late third quarter into the fourth quarter, which may suggest a later summer cash fed price low. Stay tuned. *Tod Kalous*

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Market Highlights

Fed cattle trade in the South on a light test was at \$160 to \$162 this week, weak to \$3 lower than last week. Fed cattle trade in the North was not established at press time, but a softer market tone compared to last week is expected. The Choice-Select spread widened last week as Choice product moved higher and Selects showed some weakness, demand is the indicator to watch as supplies remain tight. Feeder cattle sale receipts this week were steady to \$4 lower compared to last week. Calves were steady to as much as \$10 lower this week. Market cows were steady to \$1 higher. Corn was 2 cents higher on the week as the first crop condition report showed the U.S. corn plantings at 3 percent, near the long-term average for this time of year.

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Leverage Shift Underway

As the industry moves into increasing supplies, the leverage will continue to shift from the cattle feeder to the packer. This will occur and result in a lower trend, despite the fact that supplies will remain manageable over the next 30 days and the beef complex will be seasonally strong. Longer term, through the summer, seasonally increasing fed cattle supplies combined with record large supplies of lower priced competitive proteins will keep the fed market on the defensive. 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 therefore bargaining position. As that occurs, the cash market will have additional risk.

Next Week: Fed supplies will increase slightly. The beef complex will trade near steady to softer. Fed cattle prices are expected to be on the defensive, trading near \$160.

Projected Fed Market Table is sponsored by



Projected Fed-Cattle Marketings (000 Head) 17-Apr-2015

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
APR	731	447	1178	757	37	4.4	121	90
MAY	798	445	1243	737	44	4.0	130	94
JUN	760	568	1327	836	40	4.4	134	90
JUL	723	558	1281	867	36	4.4	139	102
AUG	788	477	1265	809	39	4.2	135	95
SEP	733	519	1253	789	40	4.2	132	103

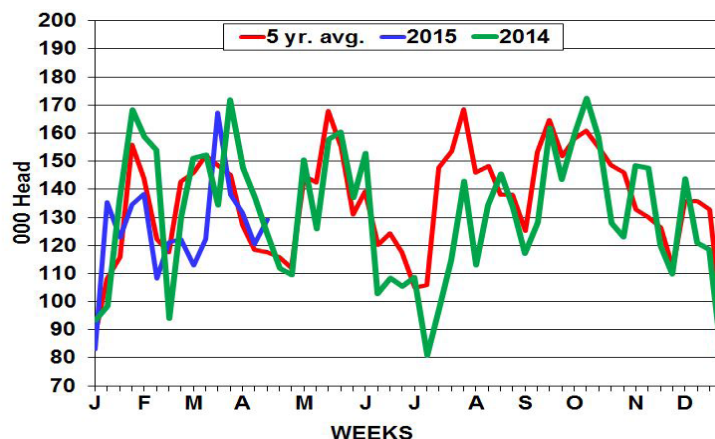
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	534	553	589	614	598	705	641	592	597	516	596
2015	539	488	523	326	586	626	597	596	539	560	455	549
Weekly Averages (000 hd)												
2014	137	133	132	134	139	150	160	146	148	130	129	142
2015	128	122	119	125	143	149	136	142	128	122	120	125
15%14	93	92	90	93	14%13	100	99	85	97	86	94	88
15%5Yr	93	94	91	97	14%5Yr	99	101	89	96	89	95	86

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	529	635	542	688	523	599	576	576	702	576	541
2015	487	490	578	343	643	494	495	551	613	679	526	526
Weekly Averages (000 hd)												
2014	138	132	151	123	156	131	136	131	144	153	144	129
2015	116	122	131	132	153	118	113	131	146	148	138	120
15%14	84	92	87	107	14%13	98	90	83	100	101	97	93
15%5Yr	88	93	91	112	14%5Yr	102	97	81	89	91	95	92

CattleFax Placements



Fed-Cattle Outlook

Late April-May: Fed cattle supplies, although historically small, will increase seasonally. Beef demand and usage will be seasonally strong. Prices are expected to trend lower as the packer gains leverage moving into the larger supplies. Prices are expected to range from the mid-\$150's to near \$160.

June-August: Fed cattle supplies will increase seasonally moving through this timeframe. With high breakevens, look for cattle feeding losses and a deterioration of bargaining position. This coupled with large supplies of lower priced proteins will result in a softer cash market. Fundamentals suggest prices ranging from the mid-\$140's to the mid-\$150's.

Kevin Good

Contract and Formula Cattle 17-Apr-2015

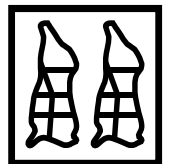
	Scheduled in April	Shipped in April	Scheduled in May	Scheduled in June
Kansas	235,000	148,000	225,000	225,000
Texas	295,000	182,000	290,000	260,000
Colorado	75,000	43,000	75,000	75,000
Nebraska	210,000	130,000	210,000	210,000
Totals	815,000	503,000	800,000	770,000

Basis Bids	June	July	August
Steers	\$2 to \$3 over	\$1 to \$2 over	\$.50 to \$1.50 over
Heifers	\$2 to \$3 over	\$1 to \$2 over	\$.50 to \$1.50 over

Prices Struggle Despite Small Harvest

Beef Complex

Prices for the Choice boxed beef cutout closed the week \$1.99 higher, Selects for the week were quoted \$1.48 softer. Despite a record low non-holiday slaughter last week, prices still struggled to advance.



The demand story remains the same; with prices nearing record levels and large supplies of competitive meats, consumers are willing to switch out beef for pork and poultry. Even though the weather has improved along the east coast, they are yet to have a warm period of time to test the start of grilling season, adding to the demand woes. With an improving economy and lower fuel prices, consumers may be more inclined to visit restaurants, we will be watching that data closely as it is released.

Next Week: Asking prices will remain near even amid limited offerings. Buyers will likely stay hand to mouth until movement at the consumer level improves. The result could be another week of near steady prices. Choice boxes are anticipated to trade between \$258 and \$262, Selects from \$248 to \$252. *Duane Lenz*

Fed Cattle Prices 17-Apr-2015

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	162-163	N.T.	162-163	N.T.	73,500	98%
KS	160-162	N.T.	160-163	N.T.	61,500	94%
NE	N.T.	N.T.	N.T.	N.T.	50,000	100%
CO*	N.T.	N.T.	N.T.	N.T.	15,500	100%
CB	N.T.	N.T.	N.T.	N.T.	0	0%
PNW*	N.T.	N.T.	N.T.	N.T.	0	0%
SW	N.T.	N.T.	N.T.	N.T.	0	0%

Price ranges reflect the last best test for average choice to high quality cattle.
*Includes all reported Canadian Imports

Found the Range?

Since last fall there has been no shortage of 5-7 percent (\$12-\$14/cwt) moves in the feeder cattle futures. Since we cannot make the volatility go away, we have to base our risk management decisions on the key factors that impact feeder cattle prices in order to build a box around price expectations.

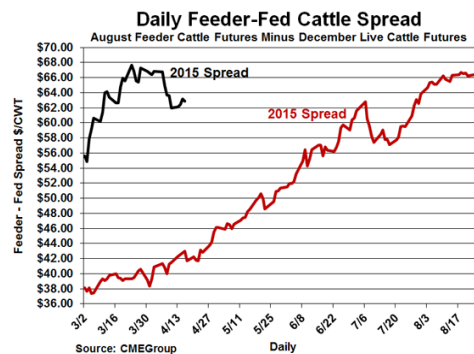
Daily closing prices for the August 2015 feeder cattle futures contract averaged near \$213/cwt this week. In order to build price expectations into the summer, we have to start with the fed cattle market which is projected to have risk lower into the summer to the low-\$140's to low \$150's. Next, shift focus to the December 2015 live cattle futures

Feeder Cattle Outlook

contract which the bulk of the July/August feeder cattle will be placed against this summer. In order to determine where this contract will be relative to the cash fed cattle market we have to consider the live cattle basis. The cattle markets have been extremely challenging for market participants whom have been forced to recollect what it's like to deal with futures markets that have continued to trade at a discount to the cash markets. This has been the case this year. December 2015 live cattle futures have traded at a significant discount relative to spot cash fed cattle prices, and the basis pattern to date suggests that basis will likely track a "Strong" basis pattern through the summer – meaning the cash fed market price will likely remain at a larger than "Average" premium relative to futures. Applying this strong basis expectation to the cash expectations suggests December 2015 live cattle futures will likely range from \$143-\$145/cwt on the low end to \$155-\$157/cwt on the high end through the summer. The final step is to consider the spread between the August '15 feeder cattle futures price and the December '15 live cattle futures. Since March, the feeder-fed spread has carved out a range from \$55-\$67/cwt. Based on our expectations for December '15 corn futures having a practical range from \$4.00-\$3.50/bu through August, this spread range is expected to remain intact.

Bottom Line: Based on several key assumptions the August '15 feeder cattle futures are expected to have significant downside risk when the feeder-fed spread reaches the upper-\$60's range and significant upside potential when the spread dips toward the low-\$50's. This also points toward price resistance near \$220/cwt and support in the low-\$200's. *Chad Spearman*

Feeder Cattle Prices Sponsored by:



		December '15 Live Cattle Futures							
		\$143	\$145	\$147	\$149	\$151	\$153	\$155	\$157
Feeder-Fed Spread		August '15 Feeder Cattle Futures Based on Spread							
	\$54	197	199	201	203	205	207	209	211
	\$56	199	201	203	205	207	209	211	213
	\$58	201	203	205	207	209	211	213	215
	\$60	203	205	207	209	211	213	215	217
	\$62	205	207	209	211	213	215	217	219
	\$64	207	209	211	213	215	217	219	221
	\$66	209	211	213	215	217	219	221	223
\$68	211	213	215	217	219	221	223	225	

Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
CENTRAL					
STEERS					
OK	250	750	Choice English X	218.00	JUL
TX	2,000	775	Choice English X	211.95	MAY
TX	200	725	CH Eng X - DEL	219.00	MAY
TX	300	800	CH Eng X - DEL	214.45	JUL
CO	900	775	CH Eng X - DEL	232.50	MAY
CENTRAL					
HEIFERS					
OK	1,000	700	Choice English X	207.30	JUL
TX	350	700	Choice English X	207.55	MAY
TX	250	700	Choice English X	210.70	JUN
TX	450	700	CH Eng X - DEL	211.65	JUL
TX	650	700	CH Eng X - DEL	209.50	AUG
CO	700	761	Choice English X	203.41	IMM
NM	500	735	Choice English X	208.00	IMM
NM	400	750	Choice English X	212.40	MAY
WY	500	780	Choice English X	202.00	IMM
SOUTH					
STEERS					
GA	200	825	Choice English X	200.00	IMM
GA	100	925	Choice English X	190.90	IMM
GA	100	1075	Choice English X	167.00	IMM
SOUTH					
HEIFERS					
GA	100	725	Choice English X	203.50	IMM
GA	200	775	Choice English X	191.75	IMM
Live Cattle Imports, Year-to-Date Totals					
Canada					
	04-Apr-15	15-YTD	14-YTD		
Feeders	14,443	157,449	144,812		
Slaughter	10,979	144,314	224,583		
	11-Apr-15	15-YTD	14-YTD		
Mexico	18,821	331,161	316,787		

Feeder Cattle Price 17-Apr-2015

West & Northwest							Central							Southeast						
	CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR		TX	KS/MO	ND/SD	NE	OK	IA		AL	AR	FL	GA	LA/MS	KY/TN
STEER																				
9-10	191-196	188-195	187-192	185-191	181-191	183-191	9-10	186-190	187-192	191-196	193-198	187-191	193-198	9-10	182-186	185-189	181-185	185-189	184-188	184-188
8-9	204-209	202-209	197-202	196-201	196-202	194-202	8-9	203-207	202-207	205-210	212-217	203-207	210-215	8-9	200-204	198-202	194-198	198-202	200-204	208-212
7-8	214-220	223-231	216-222	213-221	209-221	211-220	7-8	218-223	217-227	228-234	227-233	217-222	230-236	7-8	212-217	215-220	209-214	212-217	215-220	211-216
6-7	253-262	246-261	244-253	240-252	240-251	238-250	6-7	246-253	249-256	252-261	251-260	247-254	251-260	6-7	235-242	243-250	230-237	233-240	236-243	235-242
5-6	280-291	278-290	275-286	273-285	273-285	271-285	5-6	282-292	275-295	279-290	279-290	285-295	279-290	5-6	265-275	272-282	263-273	265-275	262-272	270-280
4-5	314-326	311-325	306-318	303-317	304-320	300-316	4-5	308-320	308-320	313-325	313-325	308-320	313-325	4-5	293-305	303-315	291-303	292-304	293-305	278-290
HEIFER																				
8-9	184-189	183-190	183-188	181-187	173-187	179-187	8-9	184-188	186-190	185-190	191-196	189-193	188-193	8-9	185-189	184-188	178-182	182-186	185-189	181-185
7-8	202-208	201-209	200-206	199-205	191-205	197-206	7-8	199-204	197-205	205-211	209-215	200-205	207-213	7-8	193-198	195-200	194-199	197-202	195-200	194-199
6-7	221-230	222-233	227-236	225-235	210-234	223-235	6-7	213-220	213-225	225-234	230-239	220-227	228-237	6-7	210-217	213-220	208-215	211-218	211-218	213-220
5-6	249-260	245-261	249-260	244-259	236-258	242-256	5-6	246-256	242-262	251-262	252-263	252-262	251-262	5-6	232-242	240-250	230-240	232-242	234-244	233-243
4-5	287-299	284-300	280-292	275-291	268-290	273-288	4-5	281-293	258-282	288-300	288-300	280-292	288-300	4-5	260-272	260-272	259-271	260-272	270-282	258-270
COWS																				
util	107-117	99-113	107-115	102-114	104-114	102-112	util	108-118	107-118	105-115	106-116	116-124	105-115	util	110-118	103-113	111-119	112-120	102-112	104-110
cn/cut	99-109	94-106	98-106	97-106	92-104	94-104	cn/cut	104-111	100-115	100-110	100-110	108-116	98-108	cn/cut	105-110	100-110	106-113	107-114	100-108	103-108
bulls	125-135	124-136	124-137	119-135	122-135	121-135	bulls	132-142	132-147	123-133	128-138	139-147	125-135	bulls	132-138	132-142	138-144	139-145	135-145	128-137
West — Feeder cattle prices were \$3 to as much as \$6 lower. Calf prices ranged from \$3 to \$8 lower. Cow prices were steady to \$2 lower. — Chad Spearman																				
Central — Feeder cattle prices were steady to \$4 lower for the week. Calves were steady to as much as \$10 lower. Market cows were steady to \$1 higher. — Troy Applehans																				
Southeast — Feeder cattle prices were steady to \$4 lower for the week. Calf values were \$5 to \$10 lower. Market cows were steady to \$1 higher. — Troy Applehans																				



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Hide/Offal Value Impacting Market

The hide and offal value has been tracking lower since last summer, but this past week it moved into the lowest levels since late 2013. There have been several factors that have impacted the drop credit value, most recently the value of hides. Hides were trading on top of \$110/hide in early November, but this week traded to nearly \$95/hide. Obviously, the west coast port situation challenged the exporting of hides. But, there continues to be more chatter about the slowdown of the economy in China and what that may be doing to the hidemarket. Along those lines there has been some discussion that hides are starting to get backed up over in the Asian tanning markets. Thus, as the port situation is now quickly getting back to normal, if the demand is not there from the Asian markets the hide market may come under more pressure.

The variety meats have also taken a huge hit since the first of the year, which can be attributed to the west coast port backlog, as well as the black market of moving product into China from the Greater China region being targeted and consequently has slowed. The demand for variety meats in the U.S. is largely for rendering, thus when the Asian markets are unwilling to take on product it impacts the domestic market.

Bottom Line: Hide and offal values have declined in value the last several weeks. Lack of demand, specifically from the Greater China region, is one of the main reasons for the weakness. The importance of this is all things being equal a \$1/cwt change in the drop credit is worth \$1/cwt change in the fed market.

Michael Murphy

F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----			
	04-Apr-2015		05-Apr-2014		2015	2014	Pct Chg	
Total Slttr	525		587		7480	7955	DN 6.0	
	Pct	No	Pct	No				
Steers	49.0	257	50.8	298	3758	3948	DN 4.8	
Heifers	30.5	160	28.6	168	2133	2291	DN 6.9	
Cows	18.9	99	18.7	110	1474	1578	DN 6.6	
Bulls	1.9	10	2.0	12	115	138	DN 16.7	

Summary of Activity Sponsored by:



Summary of Activity	This Week 17-Apr-15	Last Week 10-Apr-15	Year Ago 18-Apr-14
CattleFax Data			
Placements	129,252	120,470	111,962
Shipments	133,688	110,181	132,404
Avg In-Weights	774	780	764
USDA Slttr Wgts	1,347	1,350	1,308
USDA Str Carc Wgt*	869	874	851
Days on Feed	N/A	159	142
Carryover Pct	38	39	29
Weekly Supply	392,500	396,700	282,500
Percent Grade Choice & Higher	74.74	75.25	69.34
Prime Grade Pct	5.34	5.48	3.98
Choice Grade Pct	69.40	69.77	65.36
Select Grade Pct	18.93	18.87	25.27
Live Prices (\$/cwt)			
Slaughter Steers	N/A	164.09	146.58
Steer Calf (450#)	311.73	316.65	239.74
Steer Calf (550#)	281.61	285.43	218.55
Yearling Steer (650#)	249.37	251.58	200.05
Yearling Steer (750#)	221.25	223.09	181.15
Yearling Steer (850#)	204.85	205.35	169.37
Utility and Commercial Cows	111.30	110.40	98.44
Canner and Cutter Cows	105.27	104.76	93.01
Lean Hogs	62.55	58.82	118.51
Omaha Corn (\$/bu)	3.73	3.74	4.85
12-City Broiler	105.73	103.07	111.82
Dollar Index	97.42	99.16	79.84
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	267.17	263.80	232.04
Choice Cutout	260.38	258.39	225.88
Select Cutout	250.97	252.45	215.43
Choice/Select Price Spread	9.41	5.94	10.45
Cow Cutout	234.30	232.43	194.64
Hide and Offal	13.73	14.13	16.01
Pork Cutout	66.14	66.14	120.08
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	533.0	502.0	565.0
Hogs	2,243.0	2,172.0	2,003.0
Total Red Meat Production	916.9	877.3	884.2
Beef Production	433.2	408.3	449.6
Pork Production	479.4	464.5	429.6
Poultry Production	N/A	796.1	713.4
	CME AVG	6 STATE FED	KS-TX-OK
	FDR PRICE	STR PRICE**	FED STR**
Thu 04/16	N/A	163.32	162.63
Wed 04/15	N/A	163.45	162.88
Tue 04/14	219.78	163.56	162.88
Mon 04/13	219.28	164.27	164.13
Fri 04/10	219.57	164.27	164.13

* 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)