

CattleFax UPDATE

THE
DECIDING
FACTOR

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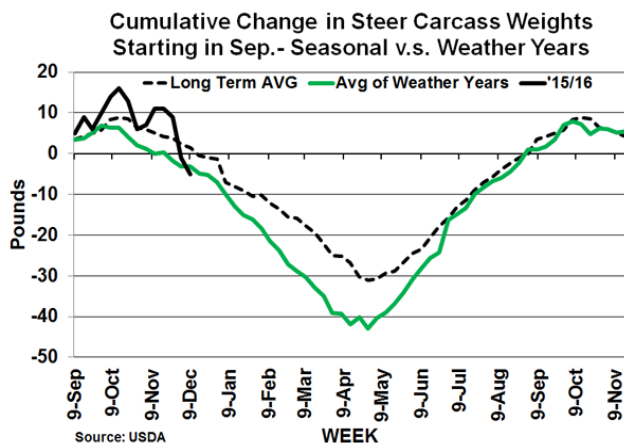
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Winter Weather Key Driver

The recent winter weather is taking a toll on cattle feeding performance, which historically has had important market implications going into a new year. Typically, to define a weather market year you need above normal amounts of precipitation and colder than average temperatures. The combination of these two events leads to significantly reduced cattle performance in the feedyard and ultimately lower than otherwise expected beef production and improved feedlot marketing currentness.

This year the total precipitation accumulated from October to January is on pace to be the most since at least 1984 for the cattle feeding region as a whole. And while the temperature so far since October has been well above average especially compared to historical weather market years, the most recent cold weather snap and given the cold temperatures forecast to continue may change that trend in January. The most telling factor as to how the winter weather is impacting cattle is likely the change in carcass



weights and yields.

On average, in non-weather market years steer carcass weights decline 38 pounds or 5 percent from their fall high to their spring low. However, in weather market years steer carcass weights decline an average of 53 pounds or 7 percent, with three of the past six weather market years declining well over 60 pounds. How quickly weights drop from the fall peak can also be telling that

a weather market is in the works – so far since the fall peak at 930 pounds, steer carcass weights have already dropped 23 pounds, which is the 3rd largest decline compared to the past 6 weather market years as of mid-December, the most recent actual USDA data. Aside from the normal seasonal drop in carcass weights into the spring, based on the average decline in weather years, it could result in an additional decline of 10 million pounds of beef per week from January to June, or about a half a pound per capita net beef supply.

Bottom Line: Winter weather is in the driver seat at this point in time and the market is taking notice as the December live cattle futures rallied \$18/cwt in 9 trading days. Expect the futures market to price in the winter weather impact well in advance of the cash spring high in 2016. In non-weather years the cash rally from the fourth quarter low to the spring high is 13 percent, but in all but one of the key weather market years (1992/93 was +13%), the cash rally has been 18 to 26 percent. This suggests cash highs this spring from \$138 to \$148. *Tod Kalous*

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Market Highlights

Cattle in the South traded at \$133 to \$136 this week, \$9 to \$12 higher compared to last week. Fed cattle in the North traded at \$133 to \$136, \$9 to \$12 higher than last week. Dressed cattle traded at \$210 to \$212 today, \$10 to \$12 higher compared to last week. Boxed beef prices were steeply higher as the empty supply pipeline has increased buying demand. Feeder cattle, calves and market cows were left unchanged from the previous test as the holidays restricted sale volumes. Corn moved lower on the week.

CATTLEFAX 2016 EDUCATIONAL SEMINARS DATES

June 22-23
Risk Management

July 20-21
Corporate College

Sep 14-15
Risk Management

Currentness

Very current

Current

Caution

Uncurrent

Steer carcass weights are down 2 pounds at 907 and are 15 pounds above a year ago.

Weather Drives Market

Continued winter storms have been noted as the El Nino weather pattern continues. This combined with the repeal of MCOOL has been the catalyst for a substantial rally in the markets. The cash market is presently \$18/cwt. off the lows matching the largest 2 week rally in history. The markets will remain explosive and volatile until the present weather patterns change. Looking at the first quarter of 2016 the supply side of the market will be positive, although as the market rallies the demand side will be tested. This coupled with continued increases in competitive meat supplies will limit the upside potential.

Next Week: Fed supplies will be near even. The beef complex will trade higher. Fed cattle prices are expected to firm and trade in the mid to upper \$130's.

January-February: Fed cattle supplies will remain manageable and carcass weights are expected to drop more than normal due to the effects of the winter weather. Headwinds include limited exports and large competitive meat supplies.

Projected Fed Market Table is sponsored by



Projected Fed-Cattle Marketings (000 Head) 31-Dec-2015

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
DEC	784	530	1314	802	36	4.4	129	103
JAN	795	441	1236	727	44	4.0	129	101
FEB	672	571	1243	744	43	4.2	126	103
MAR	669	561	1230	788	39	4.6	121	102
APR	662	504	1166	747	39	4.2	126	98
MAY	707	477	1184	777	38	4.2	131	103

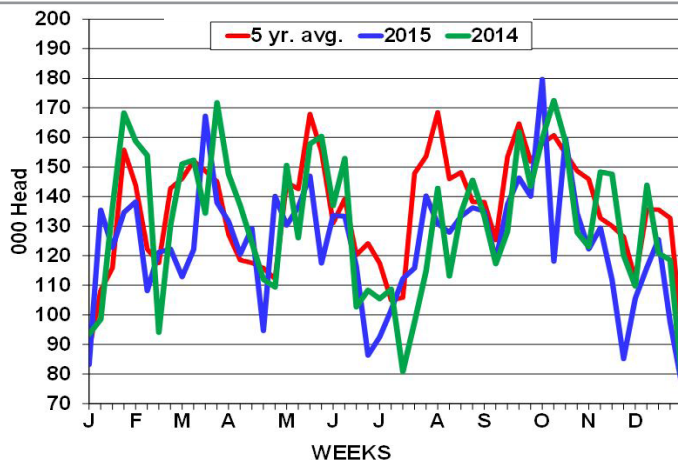
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	534	553	589	586	626	597	596	539	560	455	549
2015	539	488	523	567	507	599	602	572	524	555	460	567
Weekly Averages (000 hd)												
2014	137	133	132	134	139	149	136	142	128	122	120	125
2015	128	122	119	129	127	136	137	136	125	126	115	129
15%14	93	92	90	96	91	91	101	96	98	103	96	103
15%5Yr	93	94	91	100	90	91	90	93	87	98	89	91

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2014	605	529	635	542	643	494	495	551	613	679	526	526
2015	487	490	578	561	548	470	518	555	580	661	473	496
Weekly Averages (000 hd)												
2014	138	132	151	123	153	118	113	131	146	148	138	120
2015	116	122	131	128	137	117	118	132	138	150	118	113
15%14	84	92	87	104	90	99	104	101	95	101	86	94
15%5Yr	88	93	91	108	88	94	86	96	88	98	86	86

CattleFax Placements



Fed-Cattle Outlook

Present projections are for the market to remain firm and trade in the \$130's to low \$140's.

March-April: Seasonally and historically, fed cattle supplies will be tight while improvements in beef demand/usage are expected moving into warmer weather. Year over year increases in total protein supplies will continue to be a price limiting factor. Fundamentals suggest the market will remain strong with a mid-\$140's spring high potential. *Kevin Good*

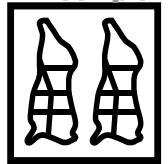
Contract and Formula Cattle 31-Dec-2015

	Scheduled in December	Shipped in December	Scheduled in January	Scheduled in February
Kansas	215,000	215,000	215,000	205,000
Texas	265,000	265,000	240,000	230,000
Colorado	70,000	70,000	75,000	75,000
Nebraska	225,000	225,000	215,000	205,000
Totals	775,000	775,000	745,000	715,000

Basis Bids	January	February	March
Steers	\$1 under to even	\$1 under to even	even to \$1 over
Heifers	\$1 under to even	\$1 under to even	even to \$1 over

Empty Pipeline Fuels Increase

Beef Complex



Prices for the Choice boxed beef cut-out closed the week \$11.04 higher while Selects increased by \$12.04. Packers came into the week with little inventory and then with some further production losses due to weather, asking prices increased substantially, forcing short bought buyers into the marketplace at sharply higher values.

The seasonal decrease in carcass weights will be exaggerated this year due to weather which will increase sellers leverage in the marketplace. Colder weather finally reaching the northeast part of the U.S. should enhance demand for roasts and hamburger. The result is likely to be an increase in the cut-out for at least the next couple of weeks and maybe longer.

Next Week: Asking prices will remain higher. Buyers need to add inventory for late January. The result is expected to be higher cut-out values. Look for Choice boxes to trade between \$210 and \$217, Selects from \$202 to \$209. *Duane Lenz*

Fed Cattle Prices 31-Dec-2015

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	133-135	N.T.	133-135	N.T.	52,500	91%
KS	134-136	212	134-136	212	81,000	68%
NE	134-135	210-212	134-135	210-212	80,000	85%
CO*	133-136	N.T.	133-136	N.T.	20,000	100%
CB	131-134	210-212	131-134	210-212	40,000	100%
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

Opportunities for Equity Protection

Feeder Cattle Outlook

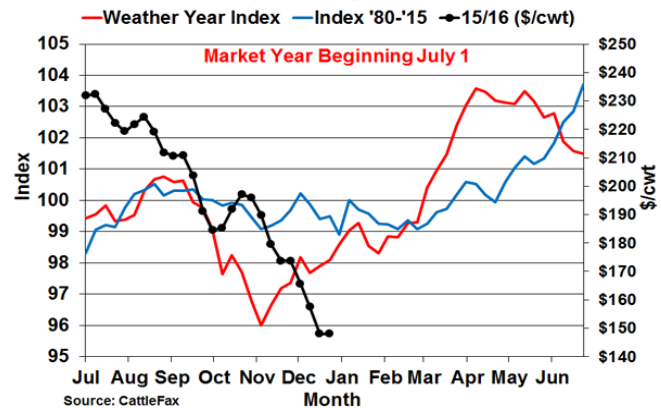
The fed cattle market is believed to be in a weather pattern as precipitation totals have been record large through the majority of cattle feeding regions and as a result cattle performance has suffered. The weather factor in combination with the market being extremely oversold has caused the live cattle futures to react to the changing market dynamics. The feeder cattle futures have also responded, rallying over \$20/cwt in the last two weeks.

The first chart shows the market year for the CattleFax U.S. average 750lb. feeder steer price index from the last 35 years as well as the cash index for weather years. The bulk of the rally in the feeder cattle cash market occurs in the spring time, March through April. The same pattern could exist this year as well depending on severity of the reduction in fed cattle performance and the weather market rally that occurs with it.

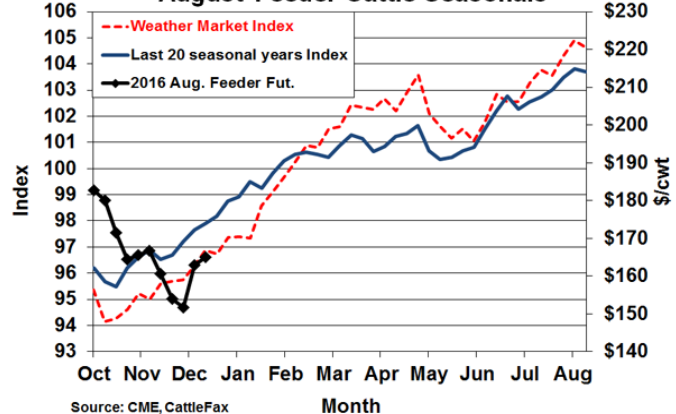
The second chart shows the August feeder cattle contract with an index for both seasonal years as well as weather influenced years in the fed cattle market. As shown, the weather market index shows a stronger peak in the spring compared to the typical seasonal market. This can be an opportunity for summer grass stocker operators to add additional protection.

It is still too early to tell how large of an impact the weather will have on the fed and feeder cattle markets but it seems to be playing a role currently.

CattleFax Weekly U.S. Avg. 750 lb. Steer Index



August Feeder Cattle Seasonals



Bottomline: If weather has a full effect on the market heading into the spring then an uptrending market will emerge over the same timeframe presenting opportunities for equity protection. Summer grass cattle marketings should take advantage of the market through the spring to add additional equity protection. *Ethan Oberst*

Feeder Cattle Prices Sponsored by:

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Red Angus

Feeder Cattle Prices 31-Dec-2015

West & Northwest

	CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR /ID
STEER						
9-10	137-142	143-148	133-138	131-137	132-137	127-137
8-9	143-148	147-159	138-143	136-142	137-143	132-142
7-8	149-155	150-164	143-149	141-148	142-150	137-148
6-7	157-166	157-169	150-159	146-158	148-161	142-156
5-6	175-186	179-199	170-180	169-181	168-181	167-182
4-5	197-209	202-217	192-202	189-201	190-204	185-200
HEIFER						
8-9	131-136	128-142	129-134	127-133	125-133	123-133
7-8	141-147	140-153	134-140	132-139	133-141	128-139
6-7	144-153	139-159	136-145	135-144	134-147	131-145
5-6	153-164	148-170	151-161	150-161	147-159	147-162
4-5	176-188	176-194	170-180	167-179	168-182	163-178
COWS						
util	62-72	61-72	63-69	64-70	59-69	62-71
cn/cut	59-69	52-69	57-63	59-67	54-64	56-66
bulls	87-97	84-96	72-83	71-83	70-87	72-85

West — Prices were left unchanged from the previous test. Volume of trade remained extremely light but stronger prices are expected as the volume returns.

— Chad Spearman

Central

	TX	KS/MO	ND/SD	NE	OK	IA
STEER						
9-10	134-138	133-142	141-146	141-148	135-139	139-144
8-9	142-146	138-147	145-150	145-152	144-148	143-148
7-8	146-151	141-151	150-156	153-161	146-151	149-155
6-7	148-155	146-160	155-164	162-173	155-162	159-168
5-6	162-172	165-190	179-190	176-189	185-195	173-184
4-5	193-205	183-211	198-210	195-209	200-212	192-204
HEIFER						
8-9	130-134	129-135	131-136	135-142	132-136	132-137
7-8	135-140	133-142	144-150	138-146	137-142	135-141
6-7	137-144	137-147	143-152	144-155	141-148	141-150
5-6	145-155	137-160	152-163	154-167	148-158	151-162
4-5	163-175	156-176	180-192	178-192	163-175	175-187
COWS						
util	62-68	61-68	65-75	66-78	58-65	65-75
cn/cut	56-64	55-65	59-69	57-69	54-60	57-67
bulls	82-92	84-92	84-94	80-92	91-95	82-92

Central — Prices were left unchanged from the previous test. Volume of trade remained extremely light but stronger prices are expected as the volume returns.

— Chad Spearman

Southeast

	AL	AR	FL	GA	LA/MS	KY/TN
STEER						
9-10	131-135	132-136	127-131	131-135	131-135	134-138
8-9	136-140	135-139	130-134	134-138	135-139	136-140
7-8	140-145	137-142	135-140	139-144	139-144	135-140
6-7	143-150	146-153	139-146	142-149	143-150	145-152
5-6	155-165	166-176	150-160	152-162	157-167	166-176
4-5	184-196	191-203	183-195	184-196	183-195	180-192
HEIFER						
8-9	127-131	129-133	123-127	127-131	127-131	120-124
7-8	131-136	132-137	127-132	131-136	131-136	125-130
6-7	136-143	133-140	133-140	136-143	136-143	131-138
5-6	137-147	137-147	134-144	136-146	139-149	135-145
4-5	153-165	148-160	149-161	150-162	156-168	158-170
COWS						
util	69-78	62-67	68-76	69-77	62-72	60-65
cn/cut	66-71	55-62	64-71	65-72	56-66	60-64
bulls	85-93	82-89	91-98	92-99	85-95	85-94

Southeast — Prices were left unchanged from the previous test. Volume of trade remained extremely light but stronger prices are expected as the volume returns.

— Chad Spearman



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Global Crude Oil Supplies to Remain Large

2015 has been a year categorized by oversupply both in the United States and on a global scale. Domestic inventories began 2015 with 382 million barrels of crude, versus the 5-year average inventory level at 344 million. Supplies grew seasonally into the spring, leading to a record large inventory of 491 million barrels. Year to date, crude stocks have been 23% larger than a year ago. Over the past 5 years, excess supply (production + imports – demand) has averaged 32,000 barrels per day (bpd). In 2015, that average will be near 280,000 bpd, plus a greater proportion of that product is being sourced domestically. From 2005 to 2012, crude oil imports averaged 63.7% of our weekly crude oil supply. From 2012 to 2014, that percentage dropped to 48.7%, and has fallen further still to 43.94% in 2015.

Stronger U.S. crude production is getting matched by the Organization of Petroleum Exporting Countries (OPEC), which has continued to increase output to maintain their global market share. OPEC has raised their 2016 output ceiling to 31.5 million bpd. Ironically, OPEC production this November was 31.695 million bpd, higher already than their adjusted ceiling. The resulting abundance of crude oil supply has driven global oil prices to 6-year lows.

Bottom Line: Crude oil supplies will remain large in 2016 as OPEC maintains output and U.S. production is steady to marginally lower. With steady demand, global benchmark Brent crude oil should trade between \$36 and \$72/barrel. Further slowing of demand would extend the downside below \$34/barrel. *Marcus Brix*

F.I. Slaughter Mix (000 head)

	----- Week Ending -----				----- Year To Date -----		
Total Sitr	19-Dec-2015		20-Dec-2014		2015	2014	Pct Chg
	586		553		27813	29208	DN 4.8
	Pct	No	Pct	No			
Steers	53.5	314	50.3	278	14754	15118	DN 2.4
Heifers	26.5	155	28.6	158	7078	8258	DN 14.3
Cows	18.4	108	19.3	107	5056	5293	DN 4.5
Bulls	1.5	8	1.8	10	448	540	DN 17.0

Summary of Activity Sponsored by:



Summary of Activity	This Week 31-Dec-15	Last Week 25-Dec-15	Year Ago 2-Jan-15
CattleFax Data			
Placements	76,396	97,592	75,419
Shipments	105,379	108,852	123,194
Avg In-Weights	687	697	730
USDA Sitr Wgts	1,388	1,398	1,371
USDA Str Carc Wgt*	907	909	892
Days on Feed	152	164	146
Carryover Pct	37	40	39
Weekly Supply	435,400	432,900	454,700
Percent Grade Choice & Higher	73.60	74.17	70.66
Prime Grade Pct	5.97	6.41	4.83
Choice Grade Pct	67.63	67.76	65.83
Select Grade Pct	20.07	20.31	23.75
Live Prices (\$/cwt)			
Slaughter Steers	134.27	123.36	166.78
Steer Calf (450#)	198.62	198.55	316.82
Steer Calf (550#)	176.28	176.21	276.79
Yearling Steer (650#)	155.42	155.34	243.19
Yearling Steer (750#)	147.98	147.91	225.76
Yearling Steer (850#)	143.28	143.21	212.80
Utility and Commercial Cows	67.00	66.93	112.28
Canner and Cutter Cows	61.79	61.71	105.44
Lean Hogs	51.04	51.44	76.64
Omaha Corn (\$/bu)	3.49	3.52	3.77
12-City Broiler	86.70	82.29	100.03
Dollar Index	98.68	97.98	91.02
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	N/A	200.19	256.43
Choice Cutout	208.78	197.63	248.90
Select Cutout	201.51	189.47	238.57
Choice/Select Price Spread	7.27	8.16	10.33
Cow Cutout	159.31	161.27	237.64
Hide and Offal	10.50	10.59	15.49
Pork Cutout	67.78	69.66	84.40
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	N/A	402.0	455.0
Hogs	N/A	1,701.0	1,987.0
Total Red Meat Production	N/A	705.6	804.9
Beef Production	N/A	339.1	371.7
Pork Production	N/A	363.1	429.5
Poultry Production	N/A	572.1	687.9
	CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Wed 12/30	159.64	134.25	134.41
Tue 12/29	157.10	123.28	122.60
Mon 12/28	157.05	123.24	122.91
Fri 12/25	157.19	123.24	122.91

* 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)