

CattleFax UPDATE

THE
DECIDING
FACTOR

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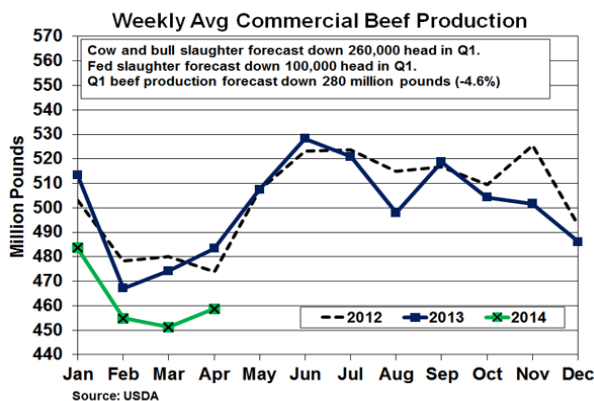
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Revalor-XS
(trenbolone acetate and estradiol)

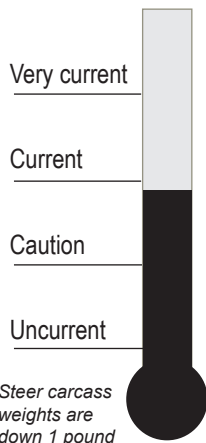
Fed Supply to Tighten Further

The carryover in the CattleFax fed cattle supply data is coming to a screeching halt. Cattle marketings and fed slaughter were above beginning of month expectations for December and resulted in feedyards being more current on marketings. Also, fewer cattle are placed against January compared to last year, which coupled with the smaller December carryover means available fed supplies are significantly smaller to start the New Year.

CattleFax fed supplies are forecast to be relatively flat through the first quarter and average at the smallest level since 2010. The implications from the smaller available fed supply suggests that fed slaughter levels will also not need to be as large as last year, on average, to maintain currentness. Specifically, weekly average fed slaughter levels are forecast to average 1 to 2 percent below a year ago through the first quarter. This may not seem like a very large change versus last year, but last year we were under-killing and un-current



Currentness



maintaining the leverage over packers through the first quarter.

If fed prices continue to trade above \$135 over the next several weeks, the cattle feeder to packer leverage will be stretched towards the upper end of the historical range. In other words, if the cash fed price is \$137/cwt and we subtract the drop credit at \$14.85, equals \$122.15 which as a percentage of the composite beef cutout at \$200/cwt equals 61 percent. The fed price as a percentage of the cutout at this level is within a percentage point of the highs achieved in the first quarter of the past couple of years.

Bottom Line: First quarter fed supplies will be supportive to the market. Also, cow and bull slaughter is forecast to be much smaller than a year ago during the first quarter, which further reduces total beef supply. First quarter beef production is forecast to be down 4.6 percent versus last year and the smallest since 2005. The question is what price level can be supported by these production declines? And simply based on the supply forecasts, it appears a market in the upper \$130s will stretch the cattle feeder and packer leverage in January and February unless the cutout can push to \$210 or higher. *Tod Kalous*

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Market Highlights

The fed cattle market was \$3 to \$5 higher this week as cattle in the South sold for \$135 to \$137, with bulk of the trade at \$137. In the North, sales were noted at \$136 to \$139 on a live basis and mostly \$217 to \$219 dressed. Trade volumes were moderate. Boxed beef prices advanced on both Choice and Selects for the week as asking prices were raised early in the week following last week's higher fed cattle prices. Production has been light through the holidays leaving shorter bought buyers few choices except to pay up for needed inventories. Feeder cattle, calves and slaughter cows were only thinly tested this week due to many sales remaining closed for the holidays, the few sales that did take place held a higher undertone. Corn prices have traded even to softer over the past week amid light holiday volume.

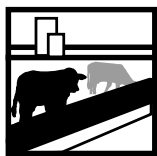
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Fed-Cattle
Outlook

Happy New Year

New all-time high fed cattle values were noted as packers chased the limited supply of cattle being offered. Extreme profitability and strong basis is encouraging the cattle feeder to trade cattle. January placed against supplies are 14 percent below year ago levels in CattleFax data, supporting the feeding frenzy. At present live prices the beef complex will need to rally \$10 for the packer to be in the black. This will be a tall order at a time of the year when beef demand and usage is soft while consumers are paying off holiday debt and seasonally higher heating bills. Look for the cash market to stall out soon due to demand limitations.

Next Week: Fed supplies will remain tight, while the beef complex is expected to trade stronger in response to higher asking prices and limited production. Fed cattle prices are expected to trade in the upper \$130's.

January-February: Placed against fed cattle supplies, especially in January will remain well below year ago levels due to the historically small placements from July-September,

supporting prices. Softer beef demand and usage is the norm after the year-end holidays, and will be the price limiting factor. Look for fed values to soften for demand reasons and trade back into the mid \$130's.

March-April: Historically small fed cattle supplies and stronger seasonal beef demand will allow fed cattle prices to trade into at least the upper \$130's.

Kevin Good

Projected Fed-Cattle Marketings (000 Head) 03-Jan-2014

	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry- Over	Net %Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
JAN	659	397	1056	787	29	4.4	131	89
FEB	687	322	1008	677	36	4.0	124	93
MAR	656	381	1037	719	34	4.2	125	93
APR	649	370	1020	733	32	4.4	122	99
MAY	739	337	1076	785	31	4.2	136	98
JUN	772	345	1116	809	31	4.2	141	94

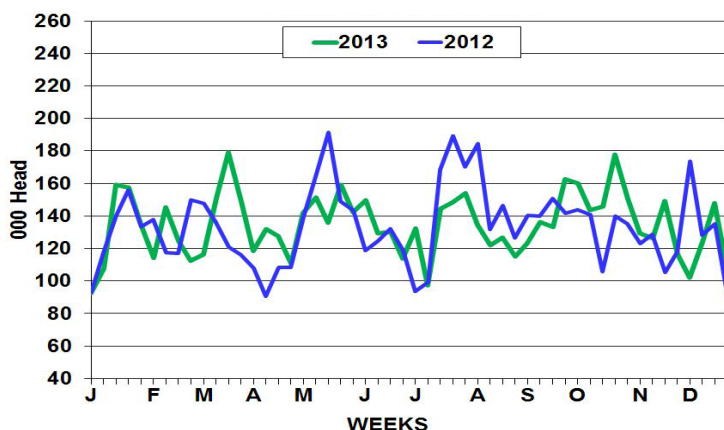
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2012	564	563	558	539	653	639	636	658	533	558	533	586
2013	652	538	568	541	614	598	705	641	592	597	516	585
Weekly Averages (000 hd)												
2012	134	134	133	128	148	152	151	143	140	121	127	146
2013	148	128	135	123	139	150	160	146	148	130	129	139
13%12	110	96	102	96	94	99	106	102	106	107	102	95
13%5Yr	111	93	105	95	97	103	107	97	105	102	102	98

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)												
2012	540	559	585	443	732	522	609	702	527	605	535	580
2013	575	504	614	532	688	523	599	576	576	702	576	530
Weekly Averages (000 hd)												
2012	128	133	133	106	166	124	145	153	151	131	127	145
2013	131	120	146	121	156	131	136	131	144	153	144	126
13%12	102	90	110	114	94	106	94	86	95	117	113	87
13%5Yr	102	89	106	109	106	111	115	86	89	99	105	98

CattleFax Placements



Contract and Formula Cattle 03-Jan-2014

	Scheduled in January	Shipped in January	Scheduled in February	Scheduled in March
Kansas	210,000	25,000	200,000	200,000
Texas	270,000	31,000	260,000	260,000
Colorado	80,000	9,500	75,000	75,000
Nebraska	180,000	22,000	175,000	175,000
Totals	740,000	87,500	710,000	710,000

Basis Bids	February	March	April
Steers	\$1 to \$2 under	\$1 to \$2 under	even to \$1 under
Heifers	\$1 to \$2 under	\$1 to \$2 under	even to \$1 under

Fed Cattle Prices 03-Jan-2014

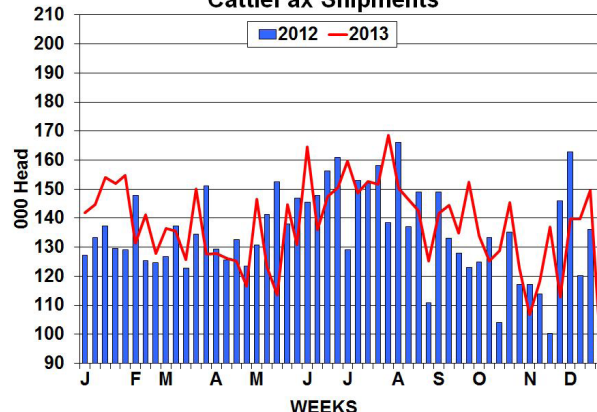
	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	135-137	N.T.	135-137	N.T.	67,500	94%
KS	137	216-218	137	216-218	68,500	74%
NE	137-139	217-219	137-139	217-219	90,000	50%
CO*	136-139	N.T.	136-139	N.T.	22,500	82%
CB	135-137	217-218	135-137	217-218	24,000	0%
PNW*	N.T.	N.T.	N.T.	N.T.	0	0%
SW	135.50-136	N.T.	N.T.	N.T.	250	0%

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

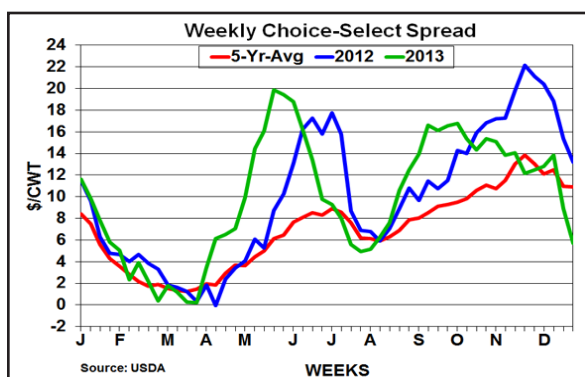
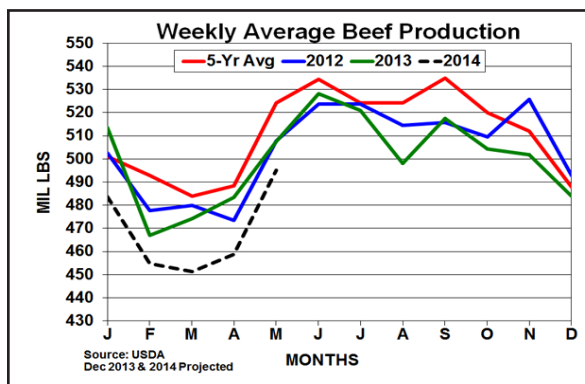
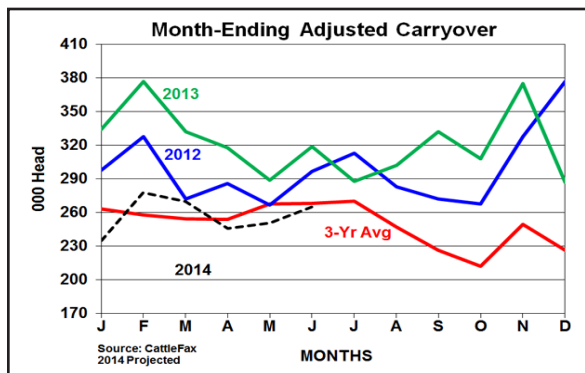
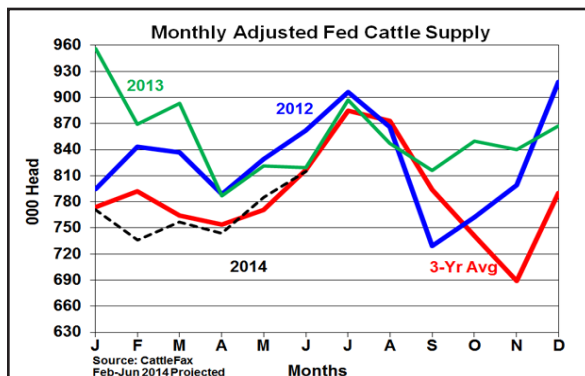
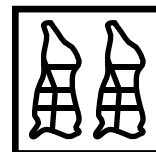
Live Cattle Imports, Year-to-Date Totals

	21-Dec-13	13-YTD	12-YTD
Canada			
Feeders	5,857	314,854	134,344
Slaughter	16,887	718,913	662,219
	28-Dec-13	13-YTD	12-YTD
Mexico	14,603	975,910	1,448,242

CattleFax Shipments



CattleFax Supply & Beef Production Outlook

Inventory
Analysis

Shipments

- Shipments by CattleFax member feedyards in December averaged 139,000 head per week, which was 5 percent below a year ago and 4 percent below the 5-year average. December shipments were in line with beginning of the month projections.

Placements

- Total CattleFax placements in December were down 9 percent versus a year ago and down 3 percent versus the 5-year average. The year over year change in placements has been up and down since July, but for the six month total July to December placements by CattleFax members were down just 1 percent versus 2012, but that's still the smallest second half total since 1981.

Carryover

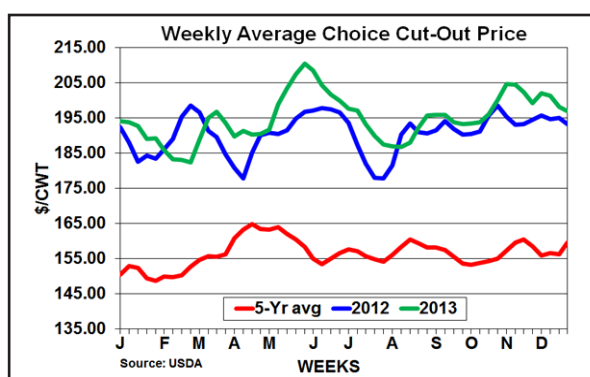
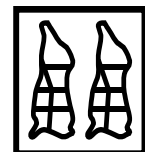
- The December carryover dropped significantly from November, 42 percent to 33 percent. Carryover is expected to drop further in January, assuming shipment forecasts are met, as there were already fewer cattle placed against January. Carryover is expected to remain very manageable through the first quarter and currentness continues to improve.

CattleFax Fed Supply

- With the smaller December carryover and smaller placed against supply, the January fed supply is 19 percent below a year ago and 3 percent below the 5-year average. Placed against supplies for February and March are currently even to slightly larger than last year, but because of the smaller January supply and expected smaller January carryover the total fed supply through the first quarter is on pace to be well below a year ago.

Slaughter and Production

- Weekly average fed slaughter in December was 1 percent above a year ago. Cow and bull slaughter was down 13 percent versus 2012 with it also being the biggest year over year decline in 2013. Weights have peaked and are beginning to decline, but remain above a year ago. Larger than forecast weights and a larger than expected fed slaughter in December puts Q4 beef production down just 2.4 percent versus 2012. Beef production in the first and second quarter of 2014 is still forecast to be down 5 and 4 percent, respectively. *Tod Kalous*

Beef
Complex

Prices Higher as Fed Values Escalate

Prices for the Choice boxed beef cutout were quoted \$3.62 higher for the week; Selects over the same period saw prices increased by \$5.59. With the sharply higher fed cattle prices over the past couple of weeks, sellers had little choice except to raise prices sharply this week in an attempt to recoup some of the lost margin. Limited production over the past couple of weeks due to the holidays gave them leverage over short bought buyers.

Cutout prices are moving higher due to the limited

production through the holidays. The trade will now watch what happens after we get a full slaughter week under our belts, refilling the pipeline. Can prices hold the recent advances during a seasonally dull demand period?

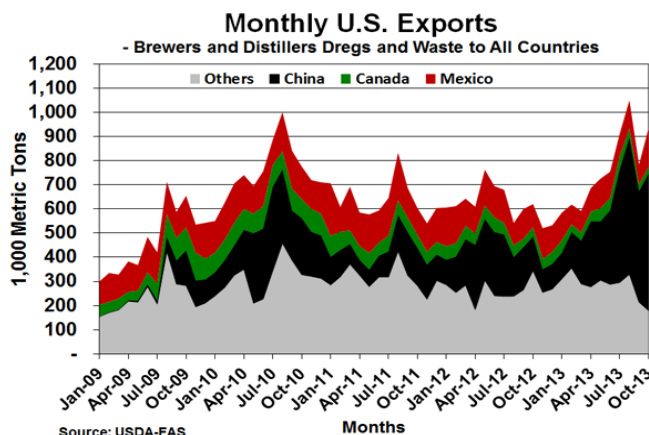
Next Week: Asking prices will remain firm due to the light production and stout cattle prices. With the pipeline still depleted, look for a higher cutout during the week. Choice boxes are anticipated to sell from \$201 to \$205, Selects between \$197 and \$201. *Duane Lenz*

Distillers Grain Prices Drop Sharply

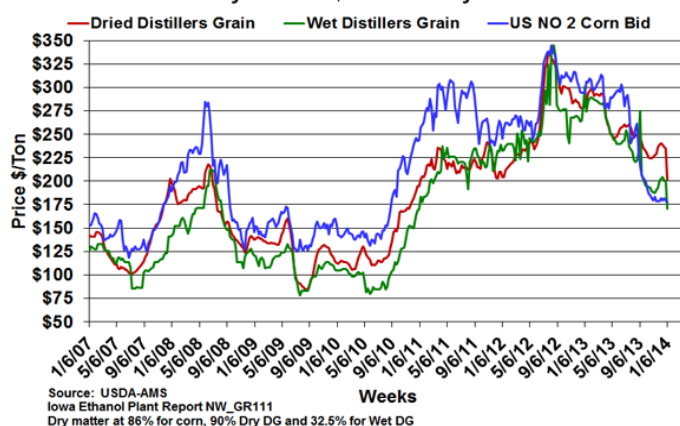
Distillers grain prices have remained very high relative to corn prices since late last summer, supported by their protein value and strong export demand. This week, however, distillers grain prices declined sharply amid news that China rejected distillers grains exported from the U.S. and a sharp decline in soybean meal prices.

Two weeks ago, China reportedly rejected approximately 2,000 metric tons of U.S. distillers grains after detecting an unapproved genetically modified (GMO) strain. The volume rejected pales in comparison to the 3.32 million metric tons that China imported from the U.S. during the January-October 2013 period, but concerns have been heightened over additional rejections. The rejection follows China's rejection of corn imported from the U.S. in recent weeks as well. U.S. corn export commitments (bushels shipped plus bushels sold, but not yet shipped) to China have declined by 28 million bushels over the past two weeks, but total commitments to all countries have offset the decline by rising 40 million bushels. Total commitments to China now stand at 208 million bushels for the 2013/14 corn market year, 119 million of which have already been shipped.

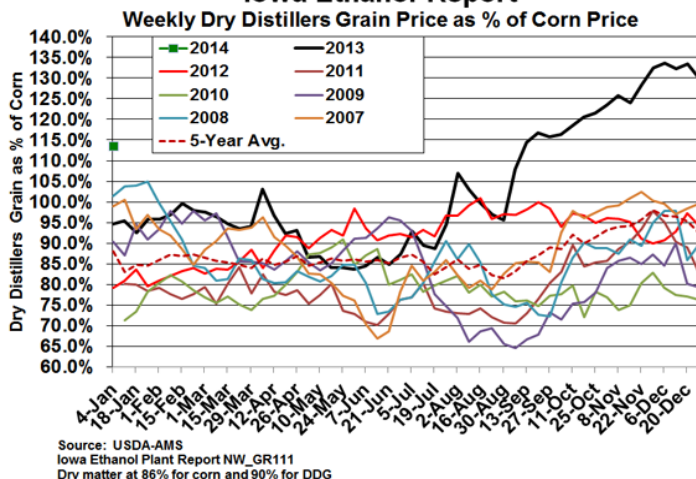
Average spot prices of dry and wet distillers grains declined to approximately \$201 and \$171/ton on a dry matter basis, respectively. Dry distillers grain prices declined 15 percent over the past two weeks, marking the largest 2-week decline since the summer of 2009. The prices are reported by the USDA for Iowa Ethanol Plants. Although the nutritional value may vary by plant, the price data offers a good perspective. The fact that historically high soybean meal prices – and thus distillers' grain protein value has remained historically high has



Iowa Ethanol Plant Report
Weekly Prices \$/Ton of Dry Matter



Iowa Ethanol Report



been duly noted. Cash soybean meal prices also declined sharply, but not as fast as distillers grains, making the protein value of distillers grains the most competitive with soybean meal since last July.

Bottom Line: Distillers grain prices just realized the largest 2-week decline since the summer of 2009. With cash corn prices still trending sideways over the past sixty days, the price of distillers grains have declined sharply relative to corn and the protein value has become much more competitive with soybean meal. *Chad Spearman*

Beef Imports: 2014 Perspective

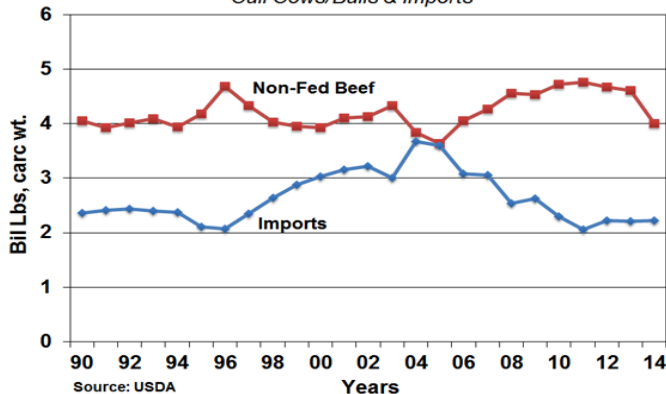
The U.S. imports roughly 2.2 billion pounds of beef each year, destined for grinding beef blends. Thus imports are a major source of grinding beef, utilized when cull beef cows and fed cattle trim do not supply existing grinding beef demand. For 2013, U.S. beef imports will end the year nearly steady with a year ago. However 2014 may see a major shift.

The steady 2013 imports came even as imports from the number 1 supplier, Australia, were down 7 percent. Increases from New Zealand and Mexico have offset those Australia declines. But Australia has found a major customer – China. Chinese beef imports from Australia are up 998 percent through October (330 million pounds), while U.S. imports from Australia are down only 38 million pounds.

China's beef demand is not only large, but is also growing. China's retail beef prices posted a new record high in December (as they have 22 of the past 24 months). And China's middle class, currently estimated around 300 million, is expected to double to 640 million over the next 8 years.

So, for 2014, assuming smaller U.S. cow slaughter and smaller fed cattle slaughter leads to a much tighter supply of lean grinding beef.

Grinding Beef Sources:
Cull Cows/Bulls & Imports



And with Australia's new-found Chinese customer, the U.S. cannot expect to get more Aussie beef. The result will be rising grinding beef prices, which will be supportive to cull cow prices as well as end meat cuts such as chucks and rounds, the next possible grinding beef ingredient. *Brett Stuart*

174 Day Revalor[®]-XS vs. Revalor[®]-S vs. Revalor[®]-IS re-implanted with Revalor[®]-S

Trial protocol consisted of:

- Study conducted in Texas
- 1,961 head of cattle in 21 pens of approximately 93 head per pen
- Revalor-S, Revalor-IS and Revalor-XS given on day 1 of trial
- Revalor-S re-implanted on day 70
- Revalor-XS and single Revalor-S cattle were not removed from their pens on day 70
- No vaccine boosters were given

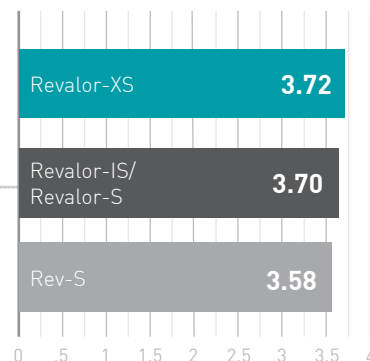
Summary

This study showed no statistical difference for total gain, average daily gain, feed intake, and feed efficiency between a Revalor-XS (trenbolone acetate and estradiol) treatment and Revalor-IS initial dose followed by a Revalor-S terminal dose at 70 days. Both Revalor-XS and the re-implant treatment showed statistical improvement in total weight gain and average daily gain for carcass adjusted performance over a single Revalor-S. Feed efficiency was improved on both a live and carcass adjusted basis with Revalor-XS and the re-implant treatment over the single Revalor-S treatment. There were no differences among the three treatment groups for USDA quality grade distributions or cooler measurements. Dressing percentage and carcass weight were equal between Revalor-XS and Revalor-IS/Revalor-S, but both were greater than the single Revalor-S. Revalor-XS had lower YG 2 compared to Revalor-IS/Revalor-S but both treatments were greater in YG2 compared to a single Revalor-S. Revalor-XS and Revalor-IS/Revalor-S had a lower percentage of YG3 and YG5 compared to a single Revalor-S.

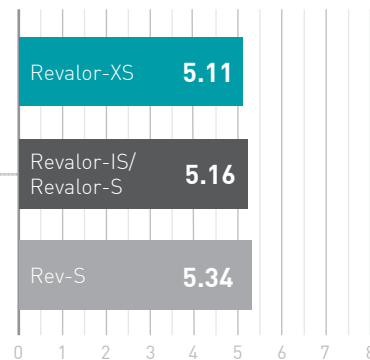
Table 1. Performance of steers implanted with Revalor-IS on day 1 followed by Revalor-S (Rev-IS/S) on day 70 compared to steers implanted with Revalor-XS (Rev-XS) or Revalor-S (Rev-S) on day 1.

	Revalor-XS	Revalor-IS/ Revalor-S	Rev-S	P-value
Carcass adjusted basis^{1,2}				
Pens	7	7	7	
Steers	654	657	650	
Initial BW	696	696	693	0.64
Final BW	1343 ^a	1339 ^a	1315 ^b	0.03
Total gain	647 ^a	643 ^a	623 ^b	0.05
DMI	19.0	19.08	19.14	0.77
ADG	3.72	3.70	3.58	0.06
F:G	5.11 ^a	5.16 ^a	5.34 ^b	0.004
Live basis³				
Final BW	1339	1337	1321	0.07
Total Gain	643	641	628	0.14
ADG	3.70	3.69	3.62	0.16
F:G	5.14 ^a	5.17 ^a	5.29 ^b	0.02

ADG



F:G



Data displayed on carcass adjusted basis.

¹Final BW is shrunk 4%

²Overall carcass performance calculated using 62.62% dressing percentage for both treatments

³Overall live performance calculated from live BW on a pen basis collected prior to study initiation and on day of slaughter

^{a,b}Treatments means are significantly different ($P \leq 0.05$)

174 Day Revalor[®]-XS vs. Revalor[®]-S vs. Revalor[®]-IS re-implanted with Revalor[®]-S

Table 2. Carcass characteristics of steers implanted with Revalor-IS on day 1 followed by Revalor-S (Rev-IS/S) on day 70 compared to steers implanted with Revalor-XS (Rev-XS) or Revalor-S (Rev-S) on day 1.

	Revalor-XS	Revalor-IS/ Revalor-S	Rev-S	P-value
Carcass characteristics				
Dressing percentage	62.80 ^a	62.71 ^a	62.34 ^b	0.05
Hot carcass weight, lb	841 ^a	838 ^a	824 ^b	0.03
Marbling	434	433	426	0.29
Fat Depth, in	0.57	0.58	0.57	0.71
Ribeye area, sq. in.	13.14	13.08	13.11	0.095
REA, sq. in./100 cwt, lb	1.59	1.57	1.58	0.64
KPH fat, %	1.90	1.89	1.94	0.11
Average YG	3.24	3.28	3.25	0.87
USDA Quality Grade, as percentage of total				
Prime	0.0	0.2	0.3	0.16
Choice	42.0	40.2	46.7	0.72
Select	53.1	51.6	47.4	0.24
Standard	4.3	7.4	5.1	0.40
Other	0.6	0.7	0.5	0.64
USDA Yield Grade, as percentage of total				
YG 1	6.1	5.7	4.4	0.60
YG 2	37.2 ^a	42.5 ^a	32.2 ^b	0.04
YG 3	42.5	43.0	50.0	0.09
YG 4	10.7	8.5	11.4	0.20
YG 5	0.8	0.3	1.9	0.02

Conclusion

Revalor-XS was equal to a traditional implant/re-implant program of Revalor-IS/Revalor-S and both were better than a single Revalor-S in steers fed for 174 days.

A withdrawal period has not been established for Revalor products in pre-ruminating calves. Do not use in calves to be processed for veal. For complete information, refer to product label.

^{a,b}Treatments means are significantly different ($P \leq 0.05$)

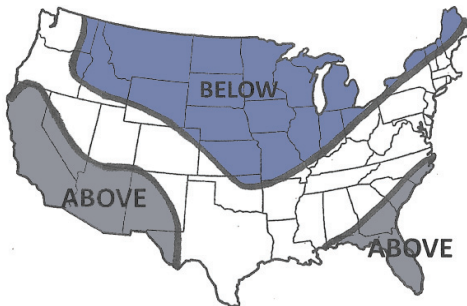
Extended Weather Outlook

Extended Range Outlook January through March 2014

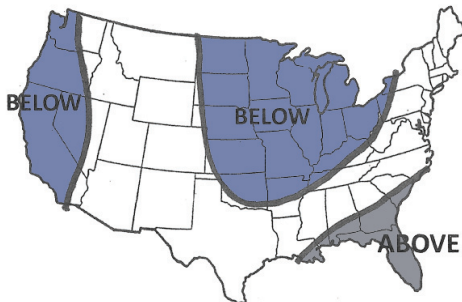
Prepared by Dr. Art Douglas, Creighton University, Omaha, Nebraska

Weather Patterns across the globe are drifting towards El Nino. Recent forecasts from NOAA and the ECMWF indicate moderate El Nino conditions by the end of the summer. North Pacific sea surface temperatures are primed for the development of El Nino with very warm water strengthening off the Pacific

TEMPERATURE OUTLOOK JANUARY 2014



PRECIPITATION OUTLOOK JANUARY 2014



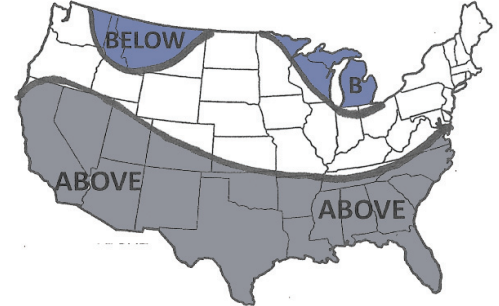
Northwest coast. This warm water pool has moved towards the coast as a strong upper level ridge of high pressure has become anchored across this region. Severe drought conditions in the far West are due to the ridge blocking storms from moving inland. To the east of this high pressure ridge a strong trough of low pressure has become anchored in southern Canada and this trough continues to drive cold air into the north central United States. For January the high pressure ridge in California will continue to produce warm-dry conditions in the Southwest. Northerly flow around the Canadian trough will continue to keep the Midwest and northern plains cold and dry in January.

By early February the ridge off the West Coast is forecast to weaken and move farther to the northwest. This will allow Pacific storms to move inland. Precipitation should slowly climb in drought areas of the far west in February. With this very late start to the rainy season, California and adjacent regions will end up with one of the poorest rainy seasons on record. The region most likely to turn wet will be the interior Northwest.

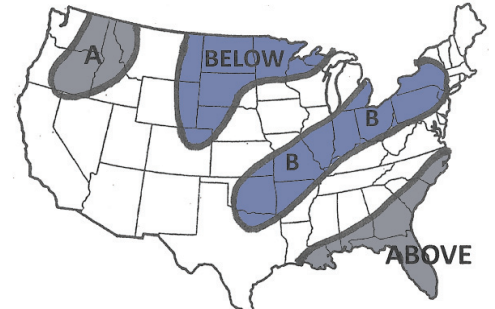
The polar jet stream will pull north in February with broad warming forecast from the Southwest into the Plains and Southeast. The warming will push north in March and this will lessen the threat of early spring blizzards in the Plains. While January will remain cold in the Midwest, February and

March temperatures are likely to rebound to above normal levels. With precipitation forecast to be slightly below normal through the Midwest, field work should progress at a good pace through much of the region. Mild and wetter than normal weather is forecast for the Southeast through early spring and this will promote good pasture conditions.

TEMPERATURE OUTLOOK JANUARY THROUGH MARCH 2014



PRECIPITATION OUTLOOK JANUARY THROUGH MARCH 2014

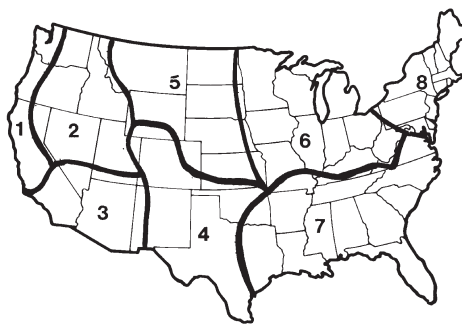


Region 1. Very dry conditions are forecast through late January with precipitation climbing by early February. Probable departures: temperatures to +2F inland south; precipitation less than 50% normal in January climbing to near normal far north by February and running 70% to 90% normal in California.

Region 2. January will be dominated by a cool northwest flow with weak storms dropping southward. By February and March wetter conditions are likely in northern sections. Probable departures: temperatures to -2F north and normal south; precipitation rising to 110% normal northern sections late winter and early spring.

Region 3. In January, cutoff lows will continue to produce precipitation in desert areas while the coast remains dry. Above normal temperatures are forecast through February with a gradual increase in precipitation. Probable departures: temperatures to +2F; precipitation 75% to 95% normal.

Region 4. Cold shots will continue into January but then broad warming is forecast



starting in February. Precipitation will be tied to cutoff lows into early February and then drying is forecast into March. Probable departures: temperatures to -1F north to +2F far southwest; precipitation less than 75% far northeast to near normal far south and west.

Region 5. January will remain cold but fairly dry. Warmer weather should move into southern sections in February and spread north in March. Probable departures: temperatures to -6F north in January rising to +3F south by February; precipitation less than 75% eastern half to near normal far west.

Region 6. Cold but seasonally dry weather is forecast for January. Southern sections will warm to above normal levels in February with the warming continuing northward in March. Probable departures: temperatures to -6F north in January rising to +3F south in March; precipitation less than 75% normal northwest and southern halves to normal central areas.

Region 7. The Bermuda high will continue to dominate the weather pattern in this region with the southeast half of the region forecast to have above normal temperatures and above normal precipitation. Cold shots will be short lived and primarily in the first part of January. Probable departures: temperatures to +1F southeast half; precipitation to 120% southeast half.

Region 8. January should remain cold with normal precipitation. Warmer-than-normal temperatures will develop by February and March. Probable departures: temperatures to -3F January then rising to +2F; precipitation near normal January to 80% interior by late winter.

Slaughter
Cow
Update

Tight Supplies Will Continue

U.S. average Utility cow prices averaged \$79.62 for 2013, compared to \$78.93 in 2012. Weekly prices in 2013 traded in the narrowest range since the year 2000. The price spread from high week to low week was only \$9.50/cwt. While the previous 5-year average move from high to low was near \$17.50/cwt. During the month of December prices averaged \$82.32. Values are expected to increase into the spring timeframe as supplies of cull cows continue to dwindle.

One measurement of the cull cow market is how domestic 90's trim prices compare to those of imported 90's. Currently, domestic prices are very close in value to import price. This relationship will continue to be monitored. It is expected that global supplies will continue to remain tight as demand from other countries pull on available supplies. This will be supportive to U.S. cull cow values. If supplies run below demand, price increases will be sharp into the high demand timeframe this spring and end cuts of fed slaughter animals will be used to subsidize this demand. Utility cow values are expected to approach the \$90/cwt level by early spring.

Troy Applehans

Bred Cow
Update

Peak Demand Next 60 Days

December prices for bred females were firm to slightly higher. Peak demand will be seen over the next couple of months. With many producers having replenished feed stocks, moisture conditions improved in most areas and calf values that added to the bank account, demand from an expansion standpoint will be evident. Regions seeing the most demand for bred females range all the way from the northern, central and southern plains into the southeast, while most western states and the southwest continue to battle dry conditions.

The upper end of the price range on the higher quality bred heifers and young cows are near \$2,500/head. Fundamental range on average quality bred females is from \$1,650 to \$2,000. Moisture conditions during the winter and spring will also dictate the value of open replacement heifers heading into breeding season, but expect prices to be mainly from \$1,300 to \$1,800/head for replacement quality heifers.

Troy Applehans

Cattle-
on-Feed
Estimate

Placement Declines Continue

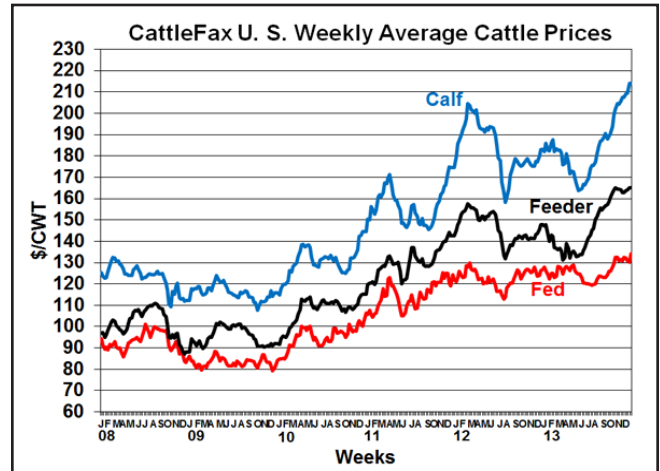
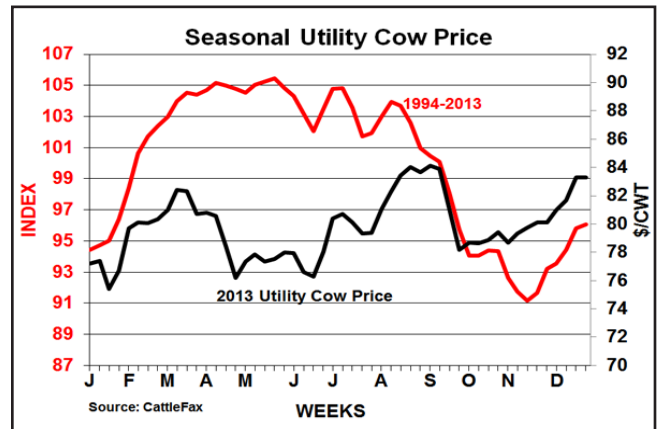
Cattle-on-feed is estimated to be 94.3 percent versus a year ago. Marketings are expected to be down 3 percent from a year ago. Placements are projected to be down 4 percent from last year.

U.S. Cattle-on-Feed January 1, 2014 (000) head 1,000+ capacities

	Average 2008-2012	2012	2013	% year ago
COF December 1	10965	11348	10725	94.5
Placed	1664	1664	1600	96
Marketed	1755	1745	1700	97
Other Dis.	76	74	74	100
COF January 1	11357	11193	10551	94.3

There were 4.2 marketing weeks this year versus 4.1 a year ago. Federally inspected steer and heifer slaughter was up 3 percent compared to a year ago. December of 2012 had a record high number of fed cattle marketed as a percent of U.S. fed slaughter. This year's forecast with marketings down 3 percent and fed slaughter up 3 percent is due to the fact that the marketings as a percent of fed slaughter will not be on the same trend as last year.

Michael Murphy



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Fed steers

2012 123.49 126.54 126.44 121.72 121.41 118.62 114.65 120.10 124.68 125.75 126.12 125.30
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

750-lb steers

2012 148.61 155.57 155.23 150.82 152.04 150.41 137.20 137.33 141.76 141.77 141.79 146.22
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

650-lb steers

2012 157.33 167.91 169.24 164.54 163.98 160.66 144.25 142.56 147.50 147.35 147.25 158.64
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

550-lb steers

2012 169.41 181.84 184.84 179.35 178.23 172.78 153.11 151.47 157.16 158.01 158.79 164.27
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

450-lb steers

2012 185.63 198.57 200.98 193.23 192.73 186.78 166.70 169.35 176.90 177.34 175.80 180.77
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

Utility Cows

2012 74.71 83.54 84.91 86.78 88.03 82.76 76.69 76.51 76.43 74.56 77.70 75.64
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

Average Prices Dec, 2013

	Western	Midwest	Northwest	Southeast
Bred Cows	1300-1925	1650-2250	1250-1675	1525-1900
Bred Heifers	1425-1975	1650-2275	1350-1800	1525-1925
Pairs	1725-2000	2300-3000	1525-1925	1600-2450

Holstein Market 03-Jan-2014

	CA/AZ	TX/KS	ID/UT	CO/NE	Midwest
Live	120-131	NT	NT	NT	NT
Dressed	NT	NT	NT	NT	NT
Calves/feeders (\$/cwt)					
275 lbs.	160-167	NT	154-160	NT	NT
400-500 lbs. del.	NT	NT	131-141	NT	NT
800 lbs. del.	NT	NT	110-114	NT	NT
Day-old f.o.b. (\$/hd)	130-140	NT	130-140	NT	NT

Calf Values Depend on Futures

Feeder Cattle Outlook

The U.S. average 550 pound steer price has improved more than \$20/cwt since its September 2013 lows at \$170.13, and all indications suggest the rally is not ending anytime soon. CattleFax expects the 2014 calf market to be seasonal with a stronger market from now into late March and lows into the fall.

Historically, fall-born calf sellers get the most out of a seasonal market when they wait to market calves until late in the first quarter, and this year will likely be the same. The 20-year average week-over-week probability of higher prices in the U.S. 550 pound steer calf market through the first quarter is more than 65.4 percent. A number of factors work in favor of cow-calf producers through this period: 1) demand for spring and summer grazing cattle peaks, 2) available calf supplies tighten, and 3) seasonal fed cattle cash markets rally into the spring.

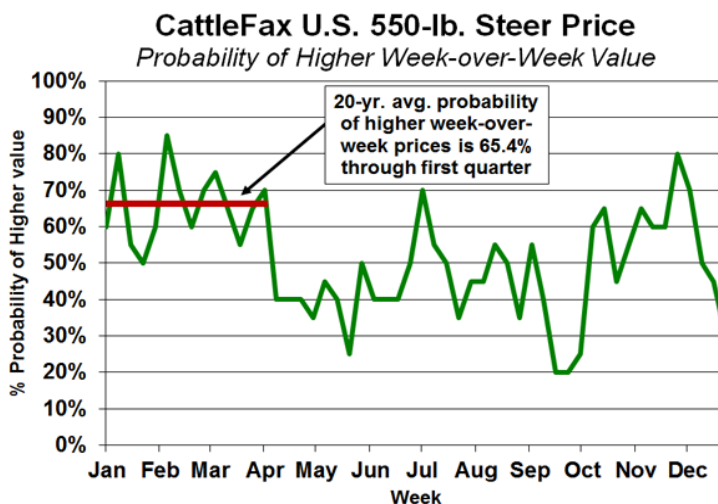
Favorable moisture conditions are making stocker operators anxious to accumulate inventory this spring, and this week's calf prices suggest buyers are already bidding aggressively. Calf supplies have tightened considerably from the fall run, and CattleFax expects the 2014 U.S. calf crop to be 200,000 head smaller compared to last

year. Grazers will be competing for the smallest available calf supply in more than 60 years. A higher fed cattle cash market supports higher deferred feeder cattle and live cattle futures values allowing for stronger bids on calves. During the last five years, the average spring highs in the calf market have been 29 percent higher than the previous fall lows. In 2009 and 2013, the spring fed cattle market rally was weaker, and the calf market rally was 19 and 18 percent, respectively. The remaining three years saw record calf market rallies of more than 30 percent from fall to spring.

Bottom Line: The fed cattle cash market has been robust the last two weeks with weekly increases of \$3 to \$4/cwt depending on region. The current fed cattle market rally may slow some in coming weeks as participants adjust to the higher prices, but calf values should continue to improve. Spring highs above \$205/cwt, U.S. average, are possible. Anything beyond that mark may depend on significantly stronger deferred fed cattle and feeder cattle futures.

Lance Zimmerman

Feeder Cattle and Calves: Representative Direct Sales					
Area	#Hd	Wt.	Breed Type	Price	Del.
CENTRAL			STEERS		
OK	150	700	Choice English X	165.65	FEB
OK	400	750	Choice English X	165.00	MAR
TX	400	800	Choice English X	162.40	MAR
TX	400	750	CH English X - DEL	167.05	MAR
TX	200	775	CH English X - DEL	167.00	APR
TX	150	775	CH English X - DEL	166.25	MAY
TX	150	800	CH English X - DEL	165.70	JUN
CENTRAL			HEIFERS		
KS	200	700	Choice English X	159.20	MAR
TX	600	725	Choice English X	158.25	FEB
TX	600	675	Choice English X	161.00	MAR
TX	200	700	CH English X - DEL	161.20	MAR
TX	150	700	CH English X - DEL	161.00	MAY



Feeder Cattle Prices Sponsored by:

Ranch Tested. Rancher Trusted.

Red Angus

Feeder Cattle Prices 03-Jan-2014

West & Northwest

	CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR /ID
STEER						
9-10	150-154	150-156	140-144	140-145	139-150	138-146
8-9	157-161	155-164	149-153	149-154	148-158	147-155
7-8	170-175	163-174	154-159	154-161	153-165	153-162
6-7	175-182	176-184	165-172	165-174	163-175	164-175
5-6	192-202	190-203	176-186	176-188	174-190	175-189
4-5	215-225	222-235	200-210	199-210	198-215	196-210
HEIFER						
8-9	148-152	148-158	140-145	141-146	140-148	139-147
7-8	152-157	151-162	145-150	145-151	144-154	143-152
6-7	157-164	162-170	152-159	152-161	151-162	151-162
5-6	174-184	170-187	157-167	157-168	155-168	155-169
4-5	190-200	186-207	172-182	172-183	170-190	170-184
COWS						
8-9	84-89	78-89	76-82	72-81	74-85	73-80
util	81-84	73-80	64-72	61-71	63-84	63-72
cn/cut	95-100	91-103	80-92	77-91	79-102	78-92
bulls						

West—Feeder cattle prices were steady to \$2 higher. Calf prices were \$2 to \$4 higher in a light test with prices expected to move higher in the weeks ahead. Slaughter cow values were mostly steady. — Chad Spearman

Central

	TX	KS/MO	ND/SD	NE	OK	IA
STEER						
9-10	146-150	148-158	156-160	158-162	148-152	156-160
8-9	154-158	156-164	161-165	166-170	156-160	161-165
7-8	162-167	160-169	172-177	173-178	163-168	170-175
6-7	167-174	167-178	178-185	179-186	178-185	179-186
5-6	183-193	179-202	200-210	200-210	192-202	193-203
4-5	210-220	205-225	220-230	230-240	213-223	214-224
HEIFER						
8-9	142-146	145-156	152-156	154-158	145-149	150-154
7-8	148-153	149-160	157-162	160-165	151-156	153-158
6-7	155-162	151-166	163-170	163-170	156-163	160-167
5-6	162-172	165-180	172-182	174-184	170-180	170-180
4-5	180-190	176-198	187-197	197-207	202-212	182-192
COWS						
8-9	84-90	79-89	74-83	79-89	83-90	78-88
util	81-85	73-87	69-75	74-79	76-82	72-78
cn/cut	93-98	94-102	88-92	94-100	95-100	92-99
bulls						

Central—Volume of trade is light and an accurate test difficult to gauge as most auction markets are on holiday break. However, undertone of the market is higher for all classes of cattle. — Troy Applehans

Southeast

	AL	AR	FL	GA	LA/MS	KY/TN
STEER						
9-10	145-149	145-149	140-144	145-149	145-149	149-153
8-9	150-154	153-157	148-152	150-154	150-154	155-159
7-8	155-160	159-164	151-156	154-159	155-160	157-162
6-7	158-165	163-170	156-163	157-164	158-165	158-165
5-6	170-180	185-195	167-177	168-178	170-180	164-174
4-5	193-203	202-212	193-203	194-204	200-210	175-185
HEIFER						
8-9	142-146	142-146	137-141	140-144	142-146	140-144
7-8	146-151	146-151	141-146	146-151	146-151	144-149
6-7	145-152	151-158	143-150	145-152	145-152	145-152
5-6	150-160	162-172	147-157	148-158	152-162	147-157
4-5	170-180	176-186	163-173	164-174	170-180	154-164
COWS						
8-9	79-88	77-87	80-88	81-89	77-85	77-85
util	72-77	70-80	75-80	76-81	69-79	70-76
cn/cut	93-102	88-98	97-105	100-106	94-104	88-94
bulls						

Southeast—Very little activity in this region due to the holidays, but the market holds a higher undertone for both feeders and calves due to the futures market and higher live cattle values. Market cow values will increase as well. — Troy Applehans



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Fed Market Surges

CattleFax had discussed the variables surrounding the fed cattle market the last several weeks, suggesting that prices would move toward the upper \$130's to \$140 during the late winter/spring timeframe. The seasonality, basis relationship, and fundamentals all suggested the fed market had that potential going into the spring. However, what just developed the past two weeks has come as a surprise from a couple of angles. The timing of when the cash pushed higher was way earlier than expected, and the price increase of 5.7 percent in the last two weeks was unexpected. For a two week move, this ranks as the 68th biggest increase since January of 1980.

Now everyone is wondering what will happen for an encore. First, look for a lot of volatility during the next several weeks. Second, for the most part nothing has changed in terms of the ceiling of the market being near \$140 for highs. However, cattle feeding profitability will lead to the potential of the fed market being much more current going forward, as cattle feeders sell cattle aggressively. But, packer margin will be the key to opening the door for higher prices.

PROBABILITIES OF FED PRICE CHANGES OVER 2 WEEK TIME PERIODS

Percent Price Change over 2 Weeks	1980s	1990s	2000s	2010s
0-2.5%	63%	68%	53%	62%
2.5%-5%	29%	26%	34%	30%
+5%	8%	7%	13%	8%

Bottom Line: As the table suggests, it is a rare occurrence the fed market would have this big of a price increase. It has come as a surprise that it came when it did, and with the acceleration experienced. However, the data still suggests the market should hold current values with slight upside potential. The willingness of cattle feeders to sell could result in the improving currentness needed to push the market higher than forecasted, but only if the packer is willing to harvest the cattle. *Michael Murphy*

F.I. Slaughter Mix (000 head)

Total Slt	----- Week Ending -----				----- Year To Date -----		
	21-Dec-2013		22-Dec-2012		2013	2012	Pct Chg
	617		631		31365	31865	DN 1.6
	Pct	No	Pct	No			
Steers	50.4	311	48.8	308	15722	15887	DN 1.0
Heifers	28.7	177	27.7	175	8957	9104	DN 1.6
Cows	19.3	119	21.7	137	6137	6330	DN 3.0
Bulls	1.8	11	1.9	12	549	545	UP 0.7

Summary of Activity Sponsored by:



FULL VALUE BEEF™

Summary of Activity	This Week 3-Jan-14	Last Week 27-Dec-13	Year Ago 4-Jan-13
CattleFax Data			
Placements	93,450	105,860	92,482
Shipments	146,527	95,329	141,796
Avg In-Weights	741	718	702
USDA Slt Wgts	1,337	1,338	1,333
USDA Str Carc Wgt*	871	872	873
Days on Feed	155	152	144
Carryover Pct	33	36	40
Weekly Supply	396,300	415,400	508,400
Percent Grade Choice & Higher	68.36	66.96	65.08
Prime Grade Pct	4.06	3.88	3.57
Choice Grade Pct	64.30	63.08	61.51
Select Grade Pct	26.50	27.77	29.48
Live Prices (\$/cwt)			
Slaughter Steers	137.14	133.94	128.02
Steer Calf (450#)	214.31	213.90	184.01
Steer Calf (550#)	189.94	189.44	167.02
Yearling Steer (650#)	173.32	172.92	155.70
Yearling Steer (750#)	165.12	164.92	148.74
Yearling Steer (850#)	157.85	157.65	143.40
Utility and Commercial Cows	83.31	83.31	77.21
Canner and Cutter Cows	76.82	76.82	71.68
Lean Hogs	78.90	77.53	79.92
Omaha Corn (\$/bu)	4.16	4.14	7.17
12-City Broiler	95.83	94.58	102.94
Dollar Index	80.70	80.06	80.57
Meat Prices (\$/cwt)			
Certified Angus Beef Cutout (UB)	203.95	206.73	207.39
Choice Cutout	200.55	196.93	194.91
Select Cutout	196.05	190.46	183.28
Choice/Select Price Spread	4.50	6.47	11.63
Cow Cutout	169.32	167.08	162.45
Hide and Offal	14.87	14.90	13.15
Pork Cutout	84.00	86.33	83.10
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	521.0	429.0	519.0
Hogs	2,011.0	1,843.0	1,963.0
Total Red Meat Production	849.4	740.8	824.4
Beef Production	417.9	344.9	413.6
Pork Production	427.3	392.2	406.8
Poultry Production	N/A	577.7	644.2
	CME AVG	6 STATE FED	KS-TX-OK
	FDR PRICE	STR PRICE**	FED STR**
Thu 01/02	N/A	135.80	135.12
Wed 01/01	167.48	134.16	133.20
Tue 12/31	166.31	134.15	133.20
Mon 12/30	166.31	134.15	133.20
Fri 12/27	164.67	134.15	133.20

* 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)