CattleFax THE DECIDING FACTOR
UPDATE
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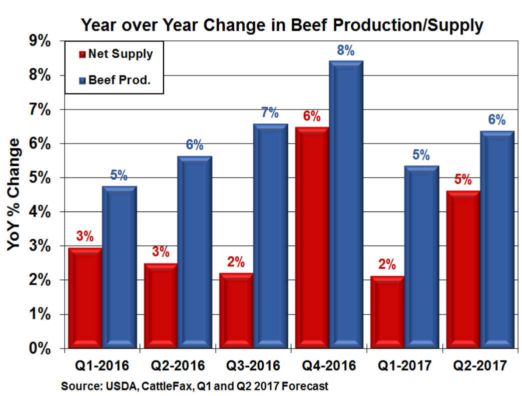
The Beef Supply Balance Sheet

The industry remains concerned about the additional beef production expected to reach the market throughout 2017 and beyond. The reasons for concern are well understood, but the recent rally in cattle prices and boxed beef values show production is not the same as supply.

In 2016, beef production was up 1.5 bil. lbs. (+6.4%) compared to the previous year, and year-over-year increases are expected again in 2017. This year's increase is expected to be smaller, at nearly 1 bil. lbs. (+3.7%), but an additional 2.5 bil. lbs. over two years remains a significant increase for the market to absorb. CattleFax expects the biggest year-over-year gains in first half 2017, but seasonally larger summer beef production could pressure prices across all classes of cattle and beef.

Another important consideration is the influence of declining U.S. beef imports and increasing U.S. beef exports on total beef supplies. The trends started in 2016, and CattleFax expects them to mostly continue over the next few years. U.S. beef exports finished 2016 up 12.6 percent compared the previous year, while U.S. beef imports ended 2016 down 10.5 percent. January 2017 beef exports were 21 percent higher and imports were 24 percent lower than a year ago.

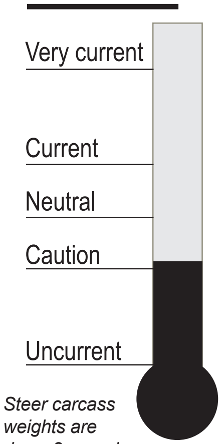


Australia is one to two years behind the United States in its cattle cycle, experiencing smaller slaughter levels and higher prices as expansion intensifies. As one of the main U.S. competitors in the global markets and a major supplier for U.S. beef imports, the decreasing production and higher Australian beef prices have been a major factor in CattleFax forecasting 2017 U.S. beef imports to decrease 7 percent and exports to increase 6 percent – a trend that will likely continue in 2018.

Looking at beef production aside from beef trade can cause market participants to overstate the negative affect supply can have on market prices. A balance sheet approach shows a more accurate picture of the supply picture facing U.S. consumers. As the accompanying chart shows, the change in net supply has been consistently less than the change in beef production throughout the last year. Beef production has increased. However, trade effects have lessened the overall influence – deflecting beef production away from U.S. consumers by altering the mix of product going to and coming from the global market.

Bottom Line: Compared to the 2015 annual lows, U.S. beef production will increase 2.5 bil. lbs. This production increase can weigh heavily on prices from the retailer to cattle producer. However, increasing exports and decreasing imports have allowed U.S. net beef supplies to grow at a smaller rate in the first quarter, lessening the burden on U.S. consumers to utilize all of the production increase and offering support to the recent rally. *Troy Bockelmann*

Currentness



Steer carcass weights are down 2 pounds at 876 and are 12 pounds below last year.

Market Highlights

Fed cattle trade in the South occurred at $127.00 to $128.50/cwt. this week. That is $2 to $3 higher compared to last week. Trade in the North was from $128.00 to $131.50. That is $4 higher compared to last week. Dressed values increased $5 to $6, trading from $208 to $210/cwt. Trade was active across all regions with some additional trade for out-front delivery. Record-large basis levels were noted again. Fed cattle supplies will remain limited over the next 15 to 30 days with supplies tightening in the North and increasing in the South.

Boxed beef values rallied this week. Choice product was $6.80 higher, while Select added $4.87. Buyers were more sensitive to the higher prices by late week.

Feeder cattle were mostly $1 to $3 higher this week. Calves were mixed by region, trading mostly $2 lower to $3 higher with instances of $6 to $8 higher. Market cows were $2 higher compared to last week. After trading sharply lower last week, the corn market gained 2 to 3 cents this week.

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Fed-Cattle Outlook

Front-end fed cattle supplies are manageable, although the tightest point has passed. The beef complex has rallied $30/cwt. in the last five weeks, much larger than normal. Both of these factors suggest the market is experiencing the best of the fundamental seasonal factors that normally line up with the spring highs. As the cash fed cattle and beef markets rallied, the futures complex continues to trade at a deep discount resulting in record-wide live cattle basis. This combined with the cattle feeder making money, and the opportunity to buy a positive swap on feeders, has allowed the industry to pull cattle forward – keeping carcass weights below year-ago levels and improving the feeders bargaining position compared to the packer. The beef rally has also meant the packer has ample profit incentive to keep slaughter levels at an adequate pace. Longer term increasing supplies of all animal proteins will keep a lid on values.

Next Week: Fed cattle supplies will remain manageable. Look for the beef complex to stall after the recent rally. Historically wide basis will continue. The market is expected to trade in the upper $120s in the Plains, with continued premiums noted in the North.

Late March-April: Although placed-against fed cattle supplies are manageable, increasing supplies will be noted moving forward. Continued feedyard profitability, strong basis and positive packer margins will result in cattle being pulled forward and increased harvest levels. Look for the strongest prices early with a pullback later ranging between $122 and $128.

May-June: With an additional 700,000 head of placements from November to January, the seasonal increase in fed cattle supplies will be larger than normal. Continued currentness will be critical to keeping the front-end supply manageable. Seasonally, beef usage increases through the spring. Strong basis levels will keep cattle feeders willing sellers and could accelerate the down in the market. Look for prices near $120 early. Then, a softer trend will develop as the market transitions into the larger fed supplies.

July-August: Supplies are projected to be above year-ago levels through summer – testing packing capacity. Seasonally, beef usage slows through the summer. Larger total protein supplies will be noted. Prices are expected to be on the defensive. *Kevin Good*

Projected Fed-Cattle Marketings (000 Head) 17-Mar-2017

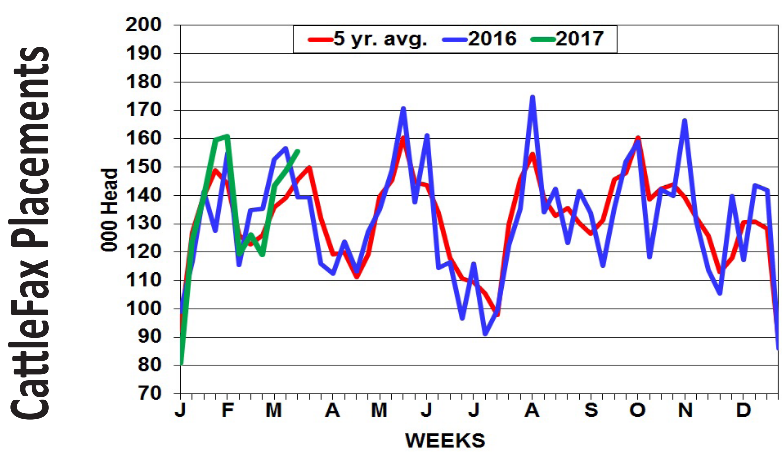
	Placed Against	Pre Mo Carryover	Begin Inv	Mo Shipments	Carry-Over %	Net Weeks	Adj. Wkly Avg Shipments	% of Yr Ago
MAR	714	442	1156	802	32	4.6	124	104
APR	689	377	1066	722	36	4.0	128	104
MAY	739	397	1136	853	29	4.4	138	100
JUN	864	340	1204	866	32	4.4	140	103
JUL	887	398	1285	836	38	4.0	149	101
AUG	797	513	1309	928	33	4.6	143	100

CattleFax Shipments

	Jan	Feb	Mar		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)													
2016	539	504	546	2015	567	507	599	602	572	524	555	460	567
2017	584	492	310	2016	515	582	599	590	656	606	528	562	514
Weekly Averages (000 hd)													
2016	128	120	119	2015	129	127	136	137	136	125	126	115	129
2017	139	123	119	2016	123	138	136	148	143	144	126	134	122
17%16	109	103	100	16%15	95	109	100	108	105	115	100	117	95
17%5Yr	103	95	93	16%5Yr	96	99	92	99	99	104	100	108	88

CattleFax Placements

	Jan	Feb	Mar		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Totals (000 hd)													
2016	487	582	645	2015	561	548	470	518	555	580	661	473	496
2017	553	525	399	2016	495	641	538	467	652	601	595	577	532
Weekly Averages (000 hd)													
2016	116	138	140	2015	128	137	117	118	132	138	150	118	113
2017	132	131	153	2016	118	153	122	117	142	143	142	137	127
17%16	114	95	109	16%15	92	112	104	99	108	104	95	116	112
17%5Yr	104	101	109	16%5Yr	98	101	100	87	99	96	95	102	100



Contract and Formula Cattle 17-Mar-2017

	Scheduled in March	Shipped in March	Scheduled in April	Scheduled in May
Kansas	245,000	143,500	240,000	240,000
Texas	275,000	164,000	280,000	260,000
Colorado	85,000	50,000	85,000	85,000
Nebraska	225,000	130,000	220,000	220,000
Totals	830,000	487,500	825,000	805,000

Basis Bids	May	June	July
Steers	+$5 to +$2	+$3 to even	+$2 to even
Heifers	+$5 to +$2	+$3 to even	+$2 to even

Buyer Interest Wanes after Rapid Advance

Beef Complex

Prices for the Choice boxed beef cutout closed the week $6.80 higher. Select closed the week $4.87 firmer. With slaughter levels slowly increasing, and profitability at the wholesale level slipping away, buyer are beginning to look at other proteins for spring needs.

A cold snap on the East coast reminded buyers that true grilling demand is still a further down the road. With asking prices still higher on many grilling items, buyers have decided to focus on pork and poultry for late April and early May features, leaving beef alone for a little while. This could result in a softer cutout for a few weeks, yet leave packers in a still profitable position.

Next Week: Asking prices will be steady to higher. Supplies will be modestly larger. Look for Choice boxes to sell from $219 to $224, Selects between $210 and $214. *Duane Lenz*

Fed Cattle Prices 17-Mar-2017

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	127-128.50	N.T	127-128.50	N.T	75,500	86%
KS	127-128.50	N.T	127-128.50	N.T	85,500	64%
NE	128-131.50	208-210	128-131.50	208-210	85,000	90%
CO*	128-131	N.T	128-131	N.T	24,000	87%
CB	130-132	208-210	130-132	208-210	25,000	0%
PNW*	N.T	N.T	N.T	N.T	0	0%
SW	N.T	N.T	N.T	N.T	0	0%

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

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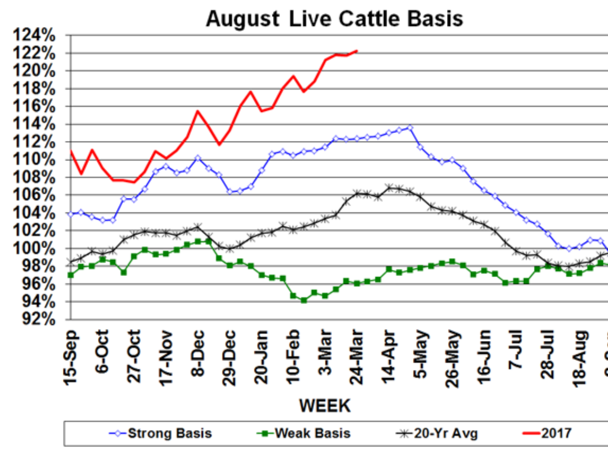
Feeders to New Highs?

Feeder Cattle Outlook

The fed cattle market spent three weeks trading at basically $125/cwt., on average. Then, it jumped higher this week. The fed market is now several dollars higher than where it was in January. Stocker producers might be asking, "How have feeder cattle not pushed into new highs?"

There are a handful of reasons. First, the deferred live cattle futures contracts just moved into levels above the January highs, literally in the last few days. And cattle feeders are looking at the deferred live cattle futures as a barometer for how much they can pay for feeder cattle. Second, during January, the cattle feeder was looking 150 to 170 days out front and placing cattle against the June live cattle futures contract. There were eight-consecutive days the June live cattle futures closed above $108/cwt. Therefore, it was supportive to feeder cattle values at that time. Currently, cattle feeders are looking 150 to 170 days in front and seeing second half 2017 futures contracts capped at $105/cwt. up to this point in time.



Using simple math, the difference between a cattle feeder buying a $105 and $108/cwt. breakeven on a 1,300-lb. fed steer is the difference of $39 per head, which is worth $4.87/cwt. for an 800-lb. feeder steer (CME feeder cattle index base weight). The feeder index had 11 days in January where it closed above $133. Recently, the feeder index moved above $128/cwt. The difference between $128 and $133 is about $40/head for an 800-lb. feeder steer.

Will the August and/or October live cattle futures push to levels near $108/cwt.? That would provide greater support for the CME feeder cattle index to push to $133/cwt. As the chart shows, basis trends will get stronger into late April. Assuming this trend holds, it will be difficult to push August live cattle toward $110/cwt., which would support feeder cattle into new highs. However, cattle feeders are making money once again. So, this may create a push in the feeder cattle market despite the basis. All of this points to feeder cattle finding resistance in the low $130s relative to the CME feeder cattle index.

Bottom Line: Feeder cattle values should find resistance in the low $130s as long as fed cattle values remain in the upper $120s. A rally above $133/cwt. would require a stronger deferred live cattle futures market or cattle feeders betting on the come more than they have during the last several months. *Michael Murphy*

Feeder Cattle and Calves: Representative Direct Sales

Area	# Hd.	Wt.	Breed Type	Price	Del.
WEST			**STEERS**		
WA	400	855	CH ENG X	123.00	IMM
WA	300	825	CH Eng X - DEL	131.00	MAY
WEST			**HEIFERS**		
WA	500	850	CH Eng X - DEL	119.00	AUG
WA	300	850	CH Eng X - DEL	115.57	IMM
CENTRAL			**STEERS**		
KS	800	854	CH Eng X - DEL	122.84	IMM
MT	300	800	CH ENG X	126.35	IMM
SD	600	900	CH ENG X	125.00	OCT
ND	500	725	CH ENG X	138.48	IMM
TX	1700	772	CH ENG X	124.97	IMM
TX	500	800	CH ENG X	120.00	APR
TX	1000	817	CH Eng X - DEL	121.33	MAY
WY	300	650	CH ENG X	151.00	IMM
WY	300	864	CH ENG X	127.49	IMM
CENTRAL			**HEIFERS**		
KS	600	750	CH Eng X - DEL	120.50	IMM
KS	300	650	CH Eng X - DEL	125.85	JUN
NM	500	775	CH ENG X	121.50	OCT
TX	1100	718	CH ENG X	117.91	IMM
TX	1600	775	CH ENG X	116.06	APR
TX	1000	725	CH Eng X - DEL	118.97	MAY
TX	1000	650	CH Eng X - DEL	126.40	AUG
WY	700	785	CH ENG X	126.53	IMM
SOUTH			**STEERS**		
GA	100	575	CH ENG X	146.50	IMM
GA	300	725	CH ENG X	126.50	IMM
GA	400	825	CH ENG X	119.50	IMM
SOUTH			**HEIFERS**		
GA	250	675	CH ENG X	118.75	IMM

Feeder Cattle Prices 17-Mar-2017

West & Northwest

Wts	CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR/ID
STEER						
9-10	119-124	117-125	114-120	113-119	113-119	111-120
8-9	124-129	121-130	119-125	118-126	118-124	118-127
7-8	131-137	131-140	126-133	125-132	125-133	123-133
6-7	143-152	141-156	136-147	135-148	134-147	135-149
5-6	160-171	161-173	153-165	152-164	151-168	150-165
4-5	174-186	173-189	165-178	164-181	163-185	166-182
HEIFER						
8-9	115-120	112-119	108-115	107-116	107-115	107-117
7-8	119-125	117-127	114-122	113-124	113-121	114-125
6-7	125-134	127-137	115-126	114-132	113-129	119-133
5-6	142-153	139-153	132-144	131-145	130-148	131-146
4-5	147-159	146-162	147-161	136-160	142-159	134-151
COWS						
Util	63-73	59-70	67-74	61-74	60-72	64-74
Cn/Cut	60-70	53-65	57-64	55-62	54-65	55-63
Bulls	82-92	79-91	74-84	72-82	76-91	69-83

West — Feeder cattle were $1 to $2 higher this week. Calves were steady. Market cows were $2 higher this week. — *Ethan Oberst*

Central

Wts	TX	KS/MO	ND/SD	NE	OK	IA
STEER						
9-10	114-120	116-123	122-127	123-128	114-120	122-127
8-9	118-126	118-129	127-132	126-131	119-127	125-130
7-8	126-134	125-136	136-142	137-143	129-137	136-142
6-7	137-147	135-146	146-155	148-157	138-148	147-156
5-6	151-163	154-167	163-174	163-174	147-159	162-173
4-5	169-183	166-188	175-187	173-185	172-186	172-184
HEIFER						
8-9	111-119	111-120	116-121	114-119	110-118	113-118
7-8	114-122	113-125	119-125	120-126	114-122	119-125
6-7	117-126	117-128	129-138	129-138	124-134	128-137
5-6	133-145	130-143	141-152	137-148	132-144	136-147
4-5	142-156	136-160	148-160	157-169	140-154	156-168
COWS						
Util	62-68	64-76	62-72	64-74	62-69	62-72
Cn/Cut	56-65	56-72	53-63	55-65	61-67	52-62
Bulls	83-93	86-95	84-94	82-92	85-94	81-91

Central — Feeder cattle were $3 higher this week. Calves were $3 higher this week. Market cows were $2 higher this week. — *Ethan Oberst*

Southeast

Wts	AL	AR	FL	GA	LA/MS	KY/TN
STEER						
9-10	110-119	114-120	109-118	114-120	114-120	115-121
8-9	115-123	118-126	114-122	117-125	117-125	117-125
7-8	121-129	122-130	120-128	122-130	122-130	124-132
6-7	126-136	137-147	125-135	127-137	128-138	129-139
5-6	134-146	152-164	133-145	134-146	134-146	140-152
4-5	151-166	168-182	150-165	153-167	153-167	155-168
HEIFER						
8-9	106-112	110-116	105-111	107-113	105-112	108-114
7-8	108-116	112-120	106-114	108-116	108-116	109-117
6-7	110-120	119-129	109-119	111-121	112-122	114-124
5-6	115-127	126-138	113-125	115-127	115-127	121-133
4-5	126-140	140-154	123-137	125-139	125-139	132-146
COWS						
Util	60-67	59-69	62-70	63-71	60-70	60-66
Cn/Cut	57-64	57-64	58-65	58-65	51-61	55-61
Bulls	81-89	80-90	86-93	86-93	81-91	83-89

Southeast — Feeder cattle were mixed from $2 lower to $2 higher this week. Calves were steady to $1 lower. Market cows were $1 higher this week. — *Ethan Oberst*

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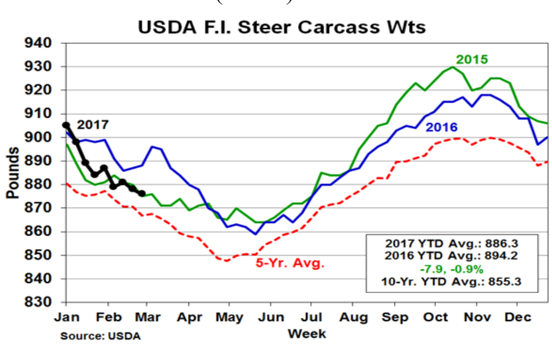
Carcass Weight Freefall

Cattle carcass weights have trended below year-ago levels since May 2016, but some of the biggest year-over-year weight declines could be in March. CattleFax expects cold carcass weights to average around 814 lbs. this month (-1.7%), and the earliest March slaughter data supports that projection with weekly steer carcass weights running 15 lbs. below last year.

March could present the largest year-over-year weight decline since September 2010. However, some perspective is necessary. The March projection is comparing against a year-ago period where carcass weights increased from February into March. That has only happened five times in the last 30 years. So, the decline may be exaggerated short term.

The key takeaway is CattleFax expects carcass weights to continue trending below year-ago levels in 2017, but not at the extreme levels likely to be seen over the next few weeks. Cold carcass weights will likely end the year around 821 lbs. That is an annual decline of 4 lbs. (-0.5%).



Bottom Line: Every pound of carcass weight matters in a cowherd-expansion market where year-over-year slaughter increases are common. Cattle slaughter is forecast to increase 940,000 head in 2017, but every one-pound reduction in carcass weight is worth 39,000 cattle slaughtered, when all else is equal. So, the net effect of the slaughter increase and carcass weight decline create a fed cattle increase in 2017 that is closer to 785,000 head in market influence when compared to last year.

Lance Zimmerman

Live Cattle Imports, Year-to-Date Totals

	04-Mar-17	17-YTD	16-YTD
Canada			
Feeders	4,723	17,810	24,507
Slaughter	11,727	84,136	104,640
	11-Mar-17	**17-YTD**	**16-YTD**
Mexico	29,723	252,316	203,734

Summary of Activity	This Week	Last Week	Year Ago
	17-Mar-17	10-Mar-17	18-Mar-16
CattleFax Data			
Placements	155,656	148,746	139,338
Shipments	118,958	118,800	119,433
Avg In-Weights	732	739	750
USDA Sltr Wgts	1,361	1,363	1,377
USDA Str Carc Wgt*	876	878	888
Days on Feed	153	149	151
Carryover Pct	33	34	42
Weekly Supply	392,100	394,900	440,400
Percent Grade Choice & Higher	79.14	79.44	75.74
Prime Grade Pct	6.37	6.18	5.49
Choice Grade Pct	72.77	73.26	70.25
Select Grade Pct	16.90	15.70	18.56
Live Prices ($/cwt)			
Slaughter Steers	128.79	125.34	139.23
Steer Calf (450#)	174.48	171.42	214.71
Steer Calf (550#)	158.26	157.76	199.37
Yearling Steer (650#)	142.84	141.69	178.54
Yearling Steer (750#)	131.84	128.87	162.02
Yearling Steer (850#)	123.83	121.62	152.18
Utility and Commercial Cows	66.80	65.18	78.59
Canner and Cutter Cows	60.84	58.33	73.44
Lean Hogs	69.60	70.08	64.24
Omaha Corn ($/bu)	3.24	3.23	3.50
12-City Broiler	96.63	93.04	86.56
Dollar Index	100.38	101.58	94.76
Meat Prices ($/cwt)			
Certified Angus Beef Cutout (UB)	222.46	214.17	246.40
Choice Cutout	222.36	215.56	234.64
Select Cutout	213.87	209.00	222.97
Choice/Select Price Spread	8.49	6.56	11.67
Cow Cutout	168.30	167.95	172.30
Hide and Offal	11.85	11.93	11.15
Pork Cutout	81.34	81.75	75.95
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	585.0	587.0	550.0
Hogs	2,335.0	2,318.0	2,187.0
Total Red Meat Production	978.7	976.4	919.1
Beef Production	478.6	480.3	449.5
Pork Production	495.8	492.1	465.0
Poultry Production	N/A	813.6	801.9

		CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu	03/16	N/A	128.53	127.61
Wed	03/15	128.22	128.44	127.69
Tue	03/14	127.61	125.44	124.85
Mon	03/13	127.42	125.44	124.85
Fri	03/10	127.09	125.43	124.84

* 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 ------		
	04-Mar-2017		05-Mar-2016		2017	2016	Pct Chg
Total Sltr	586		537		5216	4959	UP 5.2
	Pct	No	Pct	No			
Steers	51.7	303	52.0	279	2692	2572	UP 4.7
Heifers	27.8	163	27.2	146	1430	1330	UP 7.5
Cows	18.9	111	19.6	105	1015	987	UP 2.8
Bulls	1.7	10	1.5	8	80	70	UP 14.3