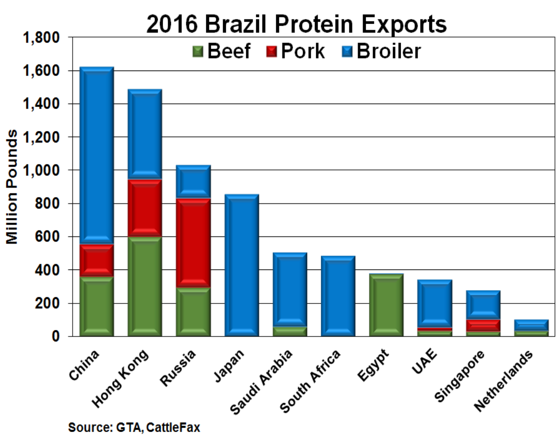
CattleFax | THE DECIDING FACTOR
UPDATE
MARCH 24, 2017 | ISSUE 12 | VOL. XXXXIX

Brazil's Meat Industry Food Safety Scandal

The big news this week was that the Brazilian government raided several meat processors due to accusations of bribery to allow the sale of expired meat. While the scale and scope of the investigation is not yet fully known, the facts are that there is an investigation and several countries have enacted import bans of Brazilian product. What the outcome of the investigation will be and how long the bans will last is purely speculative at this point. Currently, Hong Kong, China, Chile, and the European Union have all enacted bans, while other countries moved to 100% product testing. South Korea banned Brazilian products when first hearing of the news, but recently lifted the bans.

Brazil is one of the largest protein exporters in the world, exporting nearly 10 billion pounds of beef, pork, and broilers in 2016. The top two markets for Brazil - China and Hong Kong - have both enacted bans. China is Brazil's largest export destination for broilers and third largest for beef and pork. Hong Kong is the largest export destination for beef, and second largest for broilers and pork. Combined these two markets account for 31 percent of Brazil's exports. Chile and the European Union, combined, received 5.7 percent of Brazilian exports in 2016, just over 500 million pounds. Resulting in 3.5 billion pounds of Brazilian product exported to these four countries in 2016.

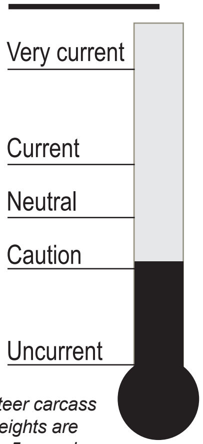


Russia is the third largest export market for Brazil, taking 1 billion pounds of beef, pork, and poultry in 2016. So far, there has been no word on what actions Russia will take. In 2014, Russia banned food imports from the U.S. in response to U.S. sanctions involving Russia's involvement in Eastern Ukraine and looked to Brazil to fill its import requirements.

Knowing what this could mean to U.S. cattle producers would be purely speculative at this time; yet this should not be bearish news for U.S. protein markets. With a set supply of protein in the world and one supplier being lost, countries will have to look elsewhere to satisfy demand. Again, the size and scope of the investigation, as well as how long the enacted bans will remain is undetermined.

Bottom Line: Brazilian authorities are investigating allegations of bribery and selling expired meat in the Brazilian meat industry. Two of the top three export markets for Brazil have recently enacted meat import bans. In 2016, the four regions that have enacted bans imported a combined 3.5 billion pounds of beef, pork, and broilers. If there is not a quick resolution, the U.S. could benefit from increased demand as these countries shift to new protein suppliers. *Troy Bockelmann*

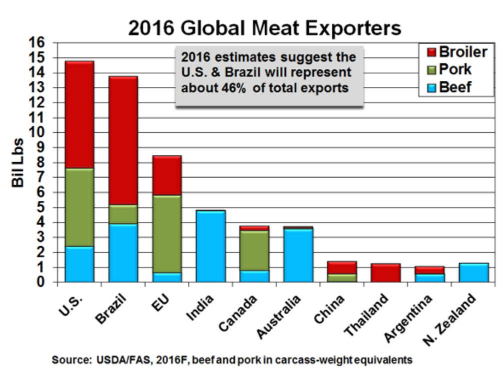
Currentness



Steer carcass weights are up 5 pounds at 881 and are 15 pounds below last year.

Market Highlights

A full fed cattle trade for the week is not yet established as of press time; however, the underlying market tone is higher. There was light trade throughout the week with a full range from $131 to $137, mostly to regional packers. Light dressed trade also occurred at $215 in the North. All trade that has occurred this week was higher than the week prior. Boxed beef was steady to slightly higher this week. Choice product was even and Selects were $1.90 higher. Feeder cattle were steady to $5 higher this week with instances of $6 to $8 higher earlier in the week. Calves traded this week steady to $5 higher. Market cows were steady to $3 higher compared to last week. Corn traded 10 cents lower this week.



Increasing Supplies Ahead

Seasonally, fed cattle supplies will increase moving forward. The front-end supplies are manageable and carcass weights are running well below year ago levels, due to cattle being pulled forward. However, the supply increase over the next 90 days will be much larger than normal due to the 700,000 head increase in placements from November through January, and could potentially test the kill capacity. Near-term, the beef complex will have a pull back, although beef usage will be seasonally strong moving through the spring. This combination would suggest the spring highs are in place and the market will move seasonally lower through the spring and on into the summer. Historically wide basis will keep cattle feeders willing sellers, and packer profitability will encourage increasing slaughter levels. Longer-term, increasing supplies of all animal proteins will keep a lid on values, although exports of all animal proteins continues to improve, which will partially offset the increased production.

Next Week: Fed supplies, although manageable, will increase seasonally. The beef complex is expected to be lower. Basis, although historically strong, will narrow. The market is expected to trade in the upper-$120's in the Plains, with continued premiums noted in the North.

April: Increasing supplies are 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 softer trend throughout the month ranging between $122 and $128.

May-June: With large placed against supplies, continued currentness will be critical to keeping the front-end supply and carcass weights manageable. Seasonally, beef usage increases moving through the spring. Strong basis levels will keep the cattle feeder a willing seller and could accelerate the down in the market. Look for prices near $120 early, then a softer trend as the market transitions into the larger fed supplies.

July-August: Beef production will run above year-ago levels and seasonally beef usage slows moving through the heat of the summer. Large total protein supplies will be prevalent. Prices are expected to be on the defensive. *Kevin Good*

Projected Fed-Cattle Marketings (000 Head) 24-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	803	34	4.6	124	104
APR	683	405	1087	719	37	4.0	128	104
MAY	740	422	1163	854	30	4.4	138	100
JUN	863	366	1229	864	33	4.4	140	103
JUL	885	426	1311	840	39	4.0	149	101
AUG	795	537	1332	923	34	4.6	143	100

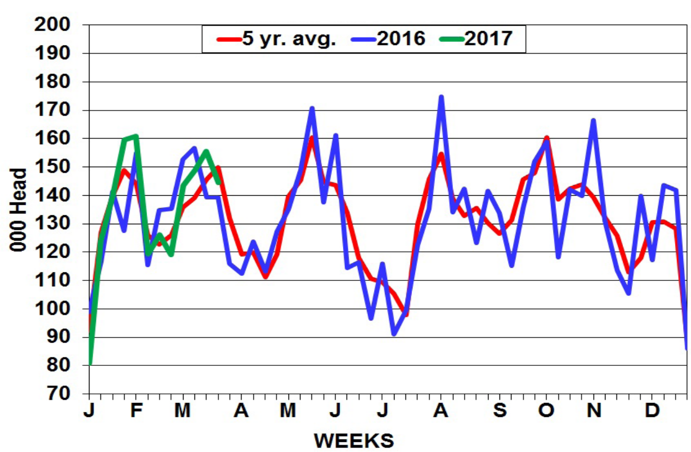
CattleFax Shipments

	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	437	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	121	2016	123	138	136	148	143	144	126	134	122
17%16	109	103	102	16%15	95	109	100	108	105	115	100	117	95
17%5Yr	103	95	95	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	543	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	151	2016	118	153	122	117	142	143	142	137	127
17%16	114	95	108	16%15	92	112	104	99	108	104	95	116	112
17%5Yr	104	101	108	16%5Yr	98	101	100	87	99	96	95	102	100

CattleFax Placements



Contract and Formula Cattle 24-Mar-2017

	Scheduled in March	Shipped in March	Scheduled in April	Scheduled in May
Kansas	250,000	200,500	245,000	245,000
Texas	305,000	234,000	290,000	300,000
Colorado	85,000	69,500	85,000	85,000
Nebraska	225,000	180,000	220,000	220,000
Totals	865,000	684,000	840,000	850,000

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

Inventories Begin to Build

The Choice boxed beef cutout was quoted $.08 softer this week, while Selects over the same period advanced by $1.90. A few sellers are beginning to note larger unsold supplies, but they have come into this time in a very good sold position so cooler inventories are not yet a problem.

Much of the price advance in the cutout over the past few weeks has been due to loins and trimmings. As available fed cattle supplies start to increase, the 50's lean trimming prices may be at risk of going lower. Loin items could also back off modestly as buyers shy away from the sharply higher prices. The result could be a cutout the drifts lower over the next two to three weeks.

Next Week: Demand may slow a bit with larger supplies, yet should remain seasonally strong. Asking prices will be steady at best. A lower cutout is probable. Choice boxes are expected to trade between $215 and $220, Selects from $210 to $215. *Duane Lenz*

Fed Cattle Prices 24-Mar-2017

	Live Steers	Hot-Wgt Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	N.T	N.T	N.T	N.T	70,200	99%
KS	N.T	N.T	N.T	N.T	62,000	92%
NE	133-135	215	133-135	215	80,000	95%
CO*	N.T	N.T	N.T	N.T	19,250	100%
CB	133-135	213-218	133-135	213-218	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

Titanium® Research Brief 5

Evaluating the Effects of Vaccine-Induced Stress on Productivity

Elanco Study No. TR-13

Elanco
Titanium®

Study overview

Although vaccine-related stress can be difficult to measure in cattle, appetite is one of the more useful indicators researchers can monitor to determine whether an animal is stressed. It has been shown that vaccination can have a significant negative effect on feed intake.[1,2]

This field trial was conducted to compare post-vaccination feed intake for cattle administered Titanium® 5 with that of cattle receiving a sterile saline solution.

Background Information

- Upon arrival, 46 Angus steers of similar size were fed for 39 days to acclimate them to the pens and feeders
  - Seven days before the study began, they were switched from a receiving ration to a finishing ration
- Cattle ate from a single feeder activated by a computer chip unique to each animal, enabling measurement of individual-animal feed consumption
- Fresh water was available ad libitum
- Cattle were assigned randomly to two treatment groups and treated on Day 0:
  1) Titanium 5 administered intramuscularly[3] (IM) according to label directions
  2) Sterile saline solution administered IM
- Researchers measured individual daily feed intake:
  - Day -10 through Day -1 to establish baseline feed intake
  - Day 1 through Day 29 to compare results between treatment groups
- Daily feed consumption was calculated by subtracting the amount of ration removed from the total ration delivered during the day
- Titanium 5 is a modified-live virus vaccine that protects against bovine viral diarrhea (BVD) virus, types 1 and 2, infectious bovine rhinotracheitis (IBR), parainfluenza$_3$ (PI_3) and bovine respiratory syncytial virus (BRSV)

Study results

Table 1. Mean dry matter intake (lbs)

Days post-vaccination	Titanium 5	Control (saline solution)
Days 1-4	26.8[a]	26.1[a]
Days 1-5	26.9[a]	26.3[a]
Days 1-10	26.6[a]	26.4[a]
Days 1-29	27.0[a]	26.9[a]

[ab]Different superscripts within each row indicate statistical significance ($P < 0.05$)

Key findings

Vaccination with Titanium 5 did not have a negative effect on feed intake.

[1]Chirase, N. K., L. W. Greene, G. D. Graham, and J. M. Avampato. 2001. Influence of clostridial vaccines and injection sites on performance, feeding behavior and lesion size scores of beef steers. J. Anim. Sci. 79(6):1409-1415.
[2]Stokka, G. L., A. J. Edwards, M. F. Spire, R. T. Brandt., Jr., and J. E. Smith. 1994. Inflammatory response to clostridial vaccines in feedlot cattle. J. Am. Vet. Med. Assoc. 204(3):415-419.
[3]At the time this research was conducted, label directions for Titanium 5 allowed IM administration. Current label directions say to inject the vaccine subcutaneously.

The label contains complete use information, including cautions and warnings. Always read, understand and follow the label and use directions.

Do not vaccinate within 21 days of slaughter.

Elanco

VAC 32880-3

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Titanium®
™
A DOSE OF CONFIDENCE
Easy on cattle[1] and your bottom line.
Titanium® vaccines have no impact on feed intake and result in little to no post-treatment side effects, so you can keep your cattle on track with health management solutions that don't interrupt your day-to-day operations or affect your bottom line.[1,2] It's BRD protection that doesn't impact performance, so you can be confident in every dose.
ELANCO.US/TITANIUM
Elanco™
FULL VALUE BEEF™
The label contains complete use information, including cautions and warnings. Always read, understand and follow the label and use directions.
[1]As measured by body temperature, feed intake, injection-site reaction or white blood cell count. [2]Terhaar, B. 2001. Evaluating the effects of vaccine-induced stress on productivity. Study No. TR-13. Published by Agri Laboratories Ltd.
Do not vaccinate within 21 days of slaughter. Elanco, Titanium® and the diagonal bar are trademarks owned or licensed by Eli Lilly and Company, its subsidiaries or affiliates. © 2015 Elanco Animal Health FYDH 35192 USBBUTIT00069

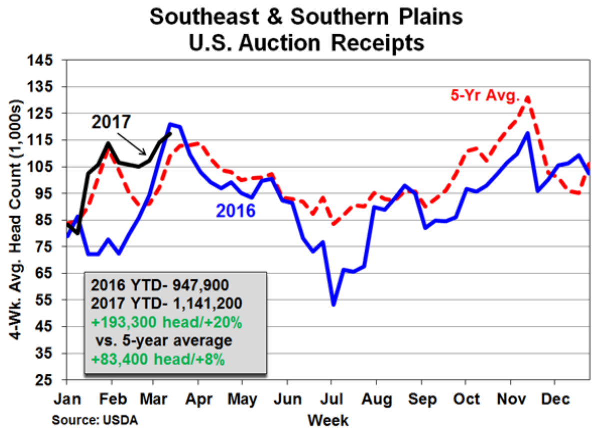
Feeder Cattle Auction Supply Summary

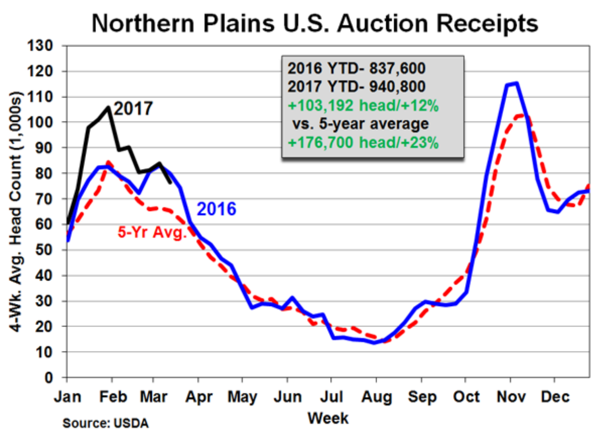
With the recent rally in the feeder cattle futures, the market has reached the targeted range of $134-$136/cwt for the spring high. The May feeder to October live cattle spread has rebounded to a new recent high, as feeder cattle futures have outpaced live cattle futures. In all key regions feeder cattle auction receipts are running above year ago levels. In the Southeast, auction receipts are up 16 percent or 83.5 thousand head, and in the Southern Plains receipts are up 25 percent or nearly 110 thousand head. The trend continues in the Northern Plains with auction receipts running 12 percent or 103 thousand head above a year ago.

Feeder Cattle and Calves: Representative Direct Sales					
Area	# Hd.	Wt.	Breed Type	Price	Del.
WEST			STEERS		
WA	400	634	CH ENG X	142.35	NOV
ID	200	807	CH ENG X - DEL	125.83	IMM
WEST			HEIFERS		
WA	200	620	CH ENG X	135.00	NOV
CENTRAL			STEERS		
TX	500	760	CH ENG X	140.50	MAY
TX	400	725	CH ENG X	141.00	JUN
TX	400	765	CH ENG X	133.00	MAY
TX	500	800	CH ENG X	134.00	MAY
OK	450	975	CH ENG X	119.50	APR
KS	200	825	CH ENG X	133.50	MAY
NM	800	800	CH ENG X	133.80	AUG
NM	600	825	CH ENG X	127.75	SEP
NE	200	810	CH ENG X	134.00	IMM
NE	200	850	CH ENG X	130.50	IMM
CENTRAL			HEIFERS		
TX	450	750	CH ENG X	126.00	MAY
KS	500	850	CH ENG X	128.25	AUG
NM	1200	750	CH ENG X	121.60	MAY
NM	300	750	CH ENG X	128.50	JUN
NE	2000	733	CH ENG X	130.97	IMM
SOUTH			STEERS		
GA	100	675	CH ENG X	136.40	IMM
GA	350	725	CH ENG X	130.80	IMM
GA	350	925	CH ENG X	124.25	IMM
SOUTH			HEIFERS		
GA	150	725	CH ENG X	121.00	IMM

While there is always potential for more upside in markets, it is well worth considering managing risk and protecting equity. Summer month feeder cattle futures have rallied nearly 25 percent from the fall 2016 low, and there are larger supplies of feeder cattle available compared to 2016. Fundamentally, there is a concern over cattle producer leverage regarding what will packers need for incentive to move through the available fed cattle supply during the peak in late summer and early fall. Couple the facts of larger supplies, packing capacity concerns and increased production of competing proteins into the thought process of developing a risk management strategy to protect equity. Whether hedging with futures, using options to open upside potential, or forward contracting, producers should look to develop an equity protection plan.

Troy Bockelmann





Feeder Cattle Prices 24-Mar-2017

West & Northwest

Wts	CO	MT/WY	CA	NV/UT	AZ/NM	WA/OR/ID
STEER						
9-10	123-128	123-130	116-122	115-124	115-124	116-125
8-9	131-136	125-138	124-130	122-129	123-131	120-129
7-8	134-140	137-144	130-137	129-138	129-139	129-139
6-7	146-155	146-163	140-151	139-152	138-150	139-153
5-6	165-176	166-180	155-167	154-169	153-169	155-170
4-5	180-192	177-195	167-180	166-181	165-186	166-182
HEIFER						
8-9	116-121	116-122	113-120	112-119	112-119	110-120
7-8	122-128	119-129	116-124	115-125	115-129	115-126
6-7	131-140	131-145	121-132	120-135	119-140	122-136
5-6	145-156	143-158	135-147	132-146	133-152	130-145
4-5	156-168	153-172	147-161	145-160	145-166	143-160
COWS						
Util	66-76	62-72	69-76	61-76	58-74	64-76
Cn/Cut	62-72	54-69	60-67	57-64	53-63	55-65
Bulls	82-92	82-95	79-89	74-85	78-95	72-86

West — Feeder cattle were $3 to $4 higher this week. Calves were steady to $3 higher. Market cows were $2 higher this week.
— *Ethan Oberst*

Central

Wts	TX	KS/MO	ND/SD	NE	OK	IA
STEER						
9-10	117-123	116-127	125-130	125-130	119-125	124-129
8-9	125-133	121-134	129-134	129-134	124-132	128-133
7-8	133-141	128-144	139-145	141-147	133-141	139-145
6-7	145-155	142-154	147-156	150-159	142-152	150-159
5-6	155-167	155-169	167-178	165-176	155-167	162-173
4-5	170-184	176-190	178-190	176-188	167-181	175-187
HEIFER						
8-9	113-121	110-125	121-126	120-125	112-120	119-124
7-8	121-129	118-130	125-131	125-131	120-128	123-129
6-7	124-134	121-136	133-142	131-140	125-135	130-139
5-6	134-146	134-150	144-155	137-148	133-145	139-150
4-5	144-158	135-162	153-165	158-170	138-152	159-171
COWS						
Util	65-68	64-74	66-76	65-75	66-71	64-74
Cn/Cut	65-67	57-73	58-68	56-66	65-69	55-65
Bulls	86-94	88-96	89-99	85-95	89-95	82-92

Central — Feeder cattle traded $3 to $5 higher for the week. Calves ranged from steady to $5 higher. Market cows were steady to $3 higher. — *Troy Applehans*

Southeast

Wts	AL	AR	FL	GA	LA/MS	KY/TN
STEER						
9-10	117-123	117-123	115-121	117-123	117-123	118-124
8-9	117-125	121-129	115-123	117-125	117-125	120-128
7-8	121-129	126-134	119-127	121-129	122-130	121-129
6-7	130-140	140-150	128-138	130-140	130-140	128-138
5-6	144-156	155-167	138-150	140-152	140-152	144-156
4-5	153-167	167-181	151-165	151-165	150-164	158-172
HEIFER						
8-9	109-115	111-117	107-113	109-115	109-115	109-115
7-8	114-122	115-123	111-119	113-121	114-122	112-120
6-7	115-125	120-130	114-124	116-126	115-125	122-132
5-6	123-135	132-144	118-130	120-132	123-135	129-141
4-5	131-145	142-156	128-142	128-142	128-142	142-156
COWS						
Util	60-70	60-69	62-71	63-72	62-72	58-65
Cn/Cut	58-63	57-66	58-64	59-65	58-66	57-63
Bulls	85-92	84-94	90-97	93-99	85-95	81-85

Southeast — Feeder cattle were steady to $3 higher for the week. Calves were $3 to $5 higher. Market cows were steady.
— *Troy Applehans*

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Short Month Squeeze

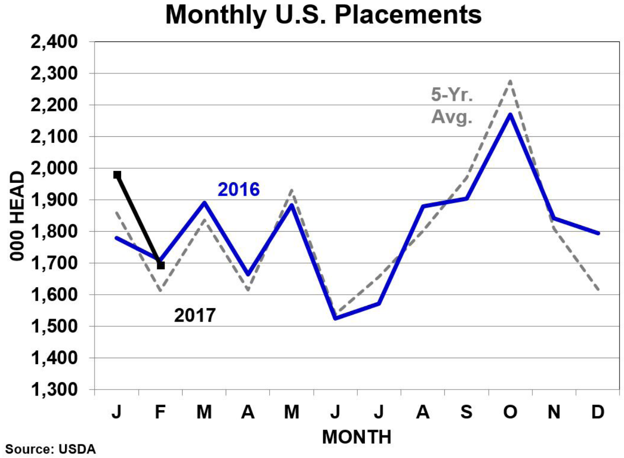
Cattle-on-feed on March 1st were found to be even with 2016. February marketings came in up 4 percent from last year, with cattle placed on feed lower by 1 percent. There were 4.0 marketing weeks this February, one day fewer than last year. Federally inspected steer and heifer slaughter was 3 percent higher than February of last year.

U.S. Cattle-on-Feed March 1, 2017 1,000+ capacities

	Average 2012-2016	2016	2017	% year ago
COF Feb. 1	10996	10709	10782	100.7
Placed	1614	1710	1694	99
Marketed	1603	1591	1648	104
Other Dis.	68	58	56	97
COF Mar. 1	10939	10770	10772	100.0

From November to January, year-over-year placement growth was roughly 14.5%, so February placements paled in comparison. The availability of placement weight feeders was likely somewhat squeezed by the large placements in the prior 3 months; fewer marketing days were also a contributing factor. *Marcus Brix*

Monthly U.S. Placements



Summary of Activity	This Week 24-Mar-17	Last Week 17-Mar-17	Year Ago 25-Mar-16
CattleFax Data			
Placements	144,409	155,656	139,453
Shipments	127,524	118,958	121,796
Avg In-Weights	746	732	757
USDA Sltr Wgts	1,360	1,361	1,366
USDA Str Carc Wgt*	881	876	896
Days on Feed	N/A	153	165
Carryover Pct	34	33	41
Weekly Supply	387,100	392,100	429,300
Percent Grade Choice & Higher	78.93	79.14	76.25
Prime Grade Pct	6.18	6.37	5.68
Choice Grade Pct	72.75	72.77	70.57
Select Grade Pct	15.87	16.90	17.97
Live Prices ($/cwt)			
Slaughter Steers	N/A	128.79	136.00
Steer Calf (450#)	176.70	174.48	211.19
Steer Calf (550#)	162.40	158.26	194.70
Yearling Steer (650#)	147.07	142.84	175.66
Yearling Steer (750#)	135.45	131.84	160.62
Yearling Steer (850#)	127.77	123.83	149.29
Utility and Commercial Cows	68.15	66.80	76.04
Canner and Cutter Cows	63.00	60.84	71.59
Lean Hogs	68.46	69.60	63.07
Omaha Corn ($/bu)	3.18	3.24	3.50
12-City Broiler	98.57	96.63	87.19
Dollar Index	99.72	100.38	96.14
Meat Prices ($/cwt)			
Certified Angus Beef Cutout (UB)	223.76	222.46	238.32
Choice Cutout	222.28	222.36	224.84
Select Cutout	215.77	213.87	217.31
Choice/Select Price Spread	6.51	8.49	7.53
Cow Cutout	169.61	168.30	173.24
Hide and Offal	11.96	11.85	11.30
Pork Cutout	77.49	81.34	75.55
Slaughter (000 hd) and Meat Production (Mil lbs)			
Cattle	613.0	588.0	538.0
Hogs	2,313.0	2,335.0	2,166.0
Total Red Meat Production	997.0	981.2	914.9
Beef Production	501.5	481.1	447.4
Pork Production	491.2	495.8	463.0
Poultry Production	N/A	827.8	781.9

		CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu	03/23	N/A	130.86	129.15
Wed	03/22	131.58	129.59	128.04
Tue	03/21	130.02	128.61	127.63
Mon	03/20	129.95	128.61	127.63
Fri	03/17	129.70	128.60	127.61

* 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)

Live Cattle Imports, Year-to-Date Totals

	11-Mar-17	17-YTD	16-YTD
Canada			
Feeders	3,419	21,229	29,591
Slaughter	10,757	94,897	116,701
	18-Mar-17	**17-YTD**	**16-YTD**
Mexico	35,502	287,818	240,087

F.I. Slaughter Mix (000 head)

	Week Ending 11-Mar-2017 Pct	Week Ending 11-Mar-2017 No	Week Ending 12-Mar-2016 Pct	Week Ending 12-Mar-2016 No	Year To Date 2017	Year To Date 2016	Year To Date Pct Chg
Total Sltr		595		543	5811	5502	UP 5.6
Steers	51.8	308	51.9	282	2999	2854	UP 5.1
Heifers	27.4	163	27.1	147	1593	1477	UP 7.9
Cows	19.2	114	19.3	105	1129	1092	UP 3.4
Bulls	1.7	10	1.7	9	90	79	UP 13.9