

CattleFax | THE DECIDING FACTOR

UPDATE

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Can the Momentum Continue?

Patrick Linnell

It's been months in the making but the cash fed cattle market finally broke higher this week. This week's CattleFax U.S. average price at \$126.25 is just shy of a \$2 increase from last week, but more significantly, it is the highest price this year and the highest since April 2019.

The futures market has long anticipated the fed market moving higher, but the cash has routinely underperformed the futures for more than a year due to constraints at the packing level. Futures broke higher again early this week and cash followed through to seal the deal.

With the futures resuming a more positive tone, even with the higher cash, the market remains in a weak basis pattern, with strong premiums in all contracts across the futures complex. In the near term, the weak basis may entice some fed cattle marketings to be slid back and fed to the premiums. This could lend near term support to the market with a few less head on showlists, at the same time as the beef market is focused on holiday rib demand.

While fed cattle supplies remain elevated, the supply vs. packing capacity equation is trending in the right direction. Cyclically, cattle supplies will tighten, and overall smaller inventories could lead to cattle feeder confidence, even if front-end supplies remain large. Labor challenges persist on the packing side, but even small improvements in efficiencies will lend to more aggressive appetites.

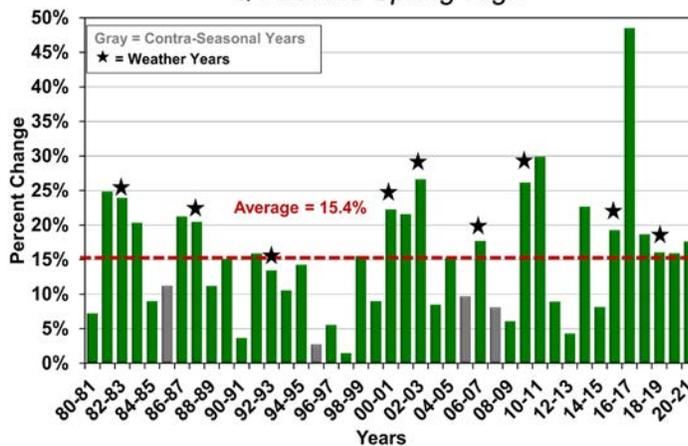
Even a minor rebalancing of cattle supplies can be significant. Whenever there is one less head available than the packer wants, the impact to fed prices and leverage will be impulsive. The timing won't be clear until it happens, but cyclically it will be coming.

CattleFax continues to expect cash to push into the upper \$120s to low \$130s before the year is up. The window has been narrowing for that to occur, which made this week's move critical. The market often finds some degree of pullback into the first quarter of the year. However, the declines have often been fairly minor at this point in previous cycles, and that is likely to be the case this year.

The spring rally should be well supported by fed cattle supplies that become more balanced with slaughter capacity. A long-run average price increase of 15.4 percent from the fourth quarter low of \$123 implies a \$142 spring high. A weak basis can set the stage for an underperforming market as fed supplies shift to the premiums, but historical comparisons still suggest a \$140 or better market. On the other hand, with the margin in the system, a meaningful shift in leverage sets up the potential for plenty of additional upside.

Bottom Line: This week's higher cash market was welcome and overdue. Although one week does not make a trend, it set the stage for additional momentum in the months ahead. While large cattle supplies and packing challenges may still be limiting near term, strong product demand, large packing margins and cyclically tighter cattle supplies leaves plenty of upside potential.

CattleFax U.S. Fed Steer Price
Q4 Low to Spring High



MARKET HIGHLIGHTS

Fed Cattle – Active trade occurred in the North from \$126 to mostly \$127 live, and \$200 dressed – \$2 to \$3 higher than the previous week. Trade in the South was moderate at primarily \$126, which is \$2 firmer than last week.

Boxed Beef – The Choice cutout ended \$4.23 higher, while Select decreased by \$0.08. Buyer interest, especially for higher quality cuts, is increasing with the upcoming winter holidays.

Feeder Cattle – Traded mostly steady to \$3 firmer.

Calves – Traded mixed at mostly \$2 softer to \$3 firmer.

Market Cows – Traded mostly steady to \$2 softer, though some regions saw \$2 to \$6 increases.

Corn – Ended the week up 29 cents/bushel.

CattleFax | THE DECIDING FACTOR

2022 OUTLOOK & STRATEGIES SEMINAR

Reception - Monday, November 29th

Meeting - Tuesday, November 30th

Denver Marriott South
at Park Meadows
Lone Tree, CO

SEMINAR REGISTRATION DEADLINE!

The deadline for in-person registration is today, Friday, October 29th. The deadline for virtual registration is November 19th. The registration link is below.

[Click here](#) to register or for more information, contact Leigh Ann at leigh@cattlefax.com or 800-825-7525.

FED-CATTLE OUTLOOK

Positive Momentum

Kevin Good

After being rangebound through the summer and fall the fed cattle market is in the process of breaking out to the upside. With this week's rally, prices are at their highest level since April of 2019. It is extremely important that the cash market continue to move higher and build momentum.

Front-end supplies are becoming more manageable, and the Choice-Select and Choice-Prime spreads are incentivizing packers to be more aggressive. Both factors will support a higher market in the near-term as packers procure cattle to fill their holiday rib orders. Let the higher quality cattle lead.

Longer-term, the cattle on feed numbers remain elevated and the combination of increased slaughter efficiencies and tighter placements are needed to substantially improve cattle feeder leverage. Once this occurs, with the large margin in the system, the fed market will become more impulsive.

Next Week: Offerings will be more manageable. The beef complex will firm. Fed cattle are expected to trade higher at \$127 to \$128. The market will continue to be two tiered, with the higher grading cattle bringing the most and will be the easiest to sell.

November - December: More manageable supplies and a beef complex that trades seasonally firmer is expected. The Choice-Select and Choice-Prime spread is expected to remain wide. With more than ample margin in the system, look for the fed market to firm and trade in the upper \$120s to low \$130s.

January - February: Seasonally, fed cattle supplies and slaughter levels will be smaller than the fourth quarter. After the holidays, typically, the beef complex pulls back and is rangebound moving through the winter. This combination suggests a rangebound market in the upper \$120s to the low \$130s.

FED CATTLE CURRENTNESS INDEX



FED CATTLE PRICES 29-OCT-2021

	Live Steers	Dressed Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	124-126	N.T	124-126	N.T	88,500	75%
KS	126	N.T	126	N.T	95,500	69%
NE	126-127	200	126-127	200	84,500	54%
CO	127	200	127	200	21,000	83%
CB	126-128	200	126-127	200	31,500	0%

BOXED BEEF OUTLOOK

Asking Prices Firm

Duane Lenz

The Choice cutout closed the week \$4.23 higher, while Select declined by \$0.08. Interest improved across the carcass as buyers looked to fill needs, fearing further advances may be on the way in the coming weeks.

Next Week: More of the same is expected, with middle meats grinding higher while other cuts stay near even. The likely higher prices could be tempered somewhat by large offerings of end cuts that seller's need to find a home for following back-to-back large slaughter weeks.

November: Prices are anticipated to work steadily higher as holiday demand will peak in early December. Retailers filling bins with turkeys could slow some buyer interest momentarily mid-month.

December - January: Prices should find their seasonal highs in early December, then fade steadily into mid-January as demand slows coming out of the holidays. Still, strong overall beef demand both domestically and internationally will limit losses.

PLACEMENTS & SHIPMENTS

Weekly Average Placements (000 hd)

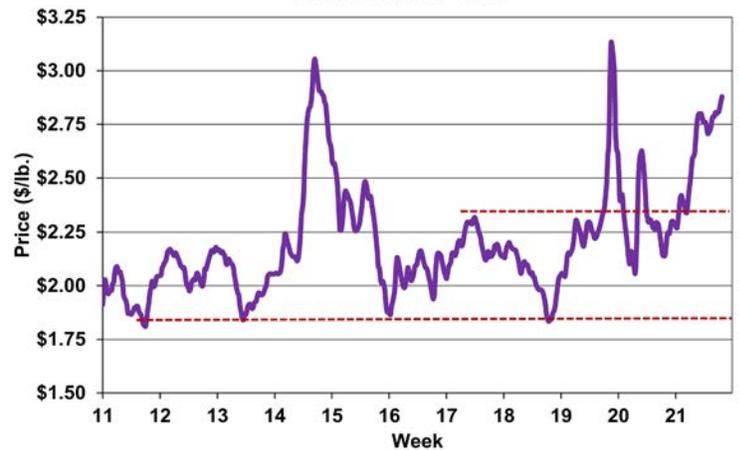
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2020	120	116	102	100	145	133	132	133	141	131	2019	141	134
2021	127	114	146	117	139	120	121	138	157	136	2020	118	120
21%20	106	98	143	117	96	90	92	104	111	104	20%19	84	90
21%5Yr	103	88	111	97	93	92	98	105	106	94	20%5Yr	88	94

Weekly Shipments (000 hd)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2020	131	127	128	114	101	127	139	131	134	122	2019	129	135
2021	130	129	137	118	135	124	139	127	144	127	2020	120	129
21%20	99	102	107	104	134	98	100	97	107	104	20%19	93	96
21%5Yr	98	104	110	91	102	91	98	91	102	101	20%5Yr	94	101

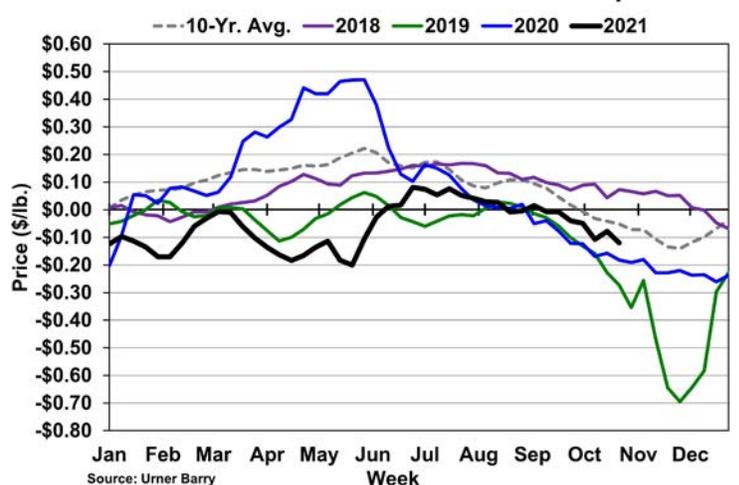
CHARTS OF THE WEEK

Urner Barry AU/NZ 90% Lean Beef Trimmings East Coast Price



- The price for imported Australian-New Zealand 90 percent lean beef trimmings has pushed to a new annual high of \$2.88/lb.
- Similar to 2019, this market is pushing contra-seasonally higher due to bullish global factors - tighter global beef production and exceptional demand for lean beef trimmings.

U.S. to AU/NZ 90% Lean Trim Price Spread



- Seasonally, imported lean beef prices trade at a premium to domestic beef trimmings in the fall as domestic production peaks exceed demand.
- U.S. cow and bull slaughter is increasing seasonally - pressuring domestic lean beef trimmings prices. However, a stronger global beef market may limit further declines.

 FEEDER/CALF OUTLOOK

Higher Demand & Prices

Troy Applehans

Demand for feeder cattle continues to be strong, particularly since they will be placed against the higher spring fed market. The cash fed market moved higher this week giving more optimism to cattle feeders that the potential out into the spring timeframe is higher than where the futures are today. Costs of gain are increasing with the higher corn market, giving the advantage to the heavier weights.

The calf market is on a higher trend. It is sharply higher in winter grazing regions of the country as turn-out time nears. The auction barn calf runs are sporadic around the country in terms of volume from week to week but will tend to tighten overall moving through November. Expect calf prices to continue to trend higher into next spring. Moisture conditions moving into that timeframe will be especially important to monitor and will be one determining factor in how high the spring calf market can get. Tighter supplies will be supportive to the market.

Feeder Cattle:

Next Week: Tight supplies will be met with excellent demand. Cash is expected to be steady/strong.

November - December: Prices from the mid-\$150s early in this period are expected to advance near \$160 late. Tight supplies throughout.

January: This is the largest supply of feeder cattle for the calendar year. The performance of the fed cattle market and deferred futures will heavily influence price. Prices in the low \$160s are forecast.

Calves:

Next Week: Continued seasonally heavy supplies. Steady/strong prices expected. Best demand for lightweights to be held over for summer grass, and winter grazing cattle.

November - December: Supplies will decline. Winter grazing conditions, feed supplies, and feed prices will be important to the calf market. Prices expected to range from the upper-\$160s to low \$170s.

January: Numbers expected to be tight, particularly for lighter weights. Demand will begin to increase from this timeframe into spring. Expect modest price advancement through the month.

 FEED GRAIN OUTLOOK

Ethanol Production Increases

Troy Bockelmann

As ethanol producers have moved solidly into the black for the first time in two years, the response has been to ramp up production. The most recent data release showed weekly ethanol production at 325 million gallons for the week ending October 22. This was the second highest production week on record and followed 322 million gallons produced the week prior.

What was noticeable about this is stocks decreased slightly on the near record production, indicating strong demand for ethanol. Currently the USDA estimates that corn used for ethanol will increase 3 percent from the prior market year to 5.2 billion bushels. If ethanol production continues at this rate, the USDA will need to increase that forecast. Adding another 100 million bushels of corn to this category would decrease stocks to use by 0.7 percent.

November - December: As harvest is now over halfway complete a higher trend has developed in the corn market. December corn futures have moved through the \$5.50 resistance and are now trading in the mid-\$5.60s. This has opened up the topside of the market, with the next level of resistance in the mid \$5.70s followed by near \$6.00/bu. Support is now at \$5.50/bu. The next major report will be the November WASDE and the market may remain supported into this report. Prices are expected to continue to have an upward bias into the spring, as corn will look to secure acres from cotton in the south and spring wheat in the north.

FEEDER/CALF PRICES 29-OCT-2021

West	AZ/NM	CA	CO	MT/WY	NV/UT	OR/WA/ID
Wts	STEER					
9-10	134-143	135-141	145-151	144-150	133-139	131-140
8-9	139-150	140-148	150-158	150-159	136-145	135-145
7-8	143-151	144-152	151-159	151-162	142-151	142-152
6-7	144-159	151-161	152-162	155-168	149-159	147-160
5-6	156-170	158-170	162-174	160-178	155-167	153-168
4-5	170-189	172-186	183-197	185-200	169-183	167-184
	HEIFER					
8-9	128-136	129-137	138-146	140-154	128-137	127-138
7-8	133-142	134-142	141-149	144-156	133-143	133-144
6-7	132-145	137-147	139-149	140-155	136-147	135-148
5-6	137-153	143-155	141-153	142-157	137-151	134-150
4-5	145-160	147-161	149-163	154-173	145-160	145-161
	COWS					
Util	61-70	63-72	62-71	61-72	59-70	60-69
Cn/Cut	47-61	49-58	47-56	44-56	49-59	47-60
	BULLS					
Bulls	80-90	82-90	80-88	79-87	75-87	77-85
Central	IA	KS/MO	ND/SD	NE	OK	TX
Wts	STEER					
9-10	151-157	147-157	154-160	158-164	150-156	147-153
8-9	156-164	155-164	154-162	164-172	155-163	151-159
7-8	158-166	156-165	159-167	166-174	156-164	153-161
6-7	161-171	158-170	169-179	167-177	154-164	153-163
5-6	169-181	165-178	173-185	178-190	162-174	161-173
4-5	183-197	174-190	190-204	195-209	178-192	173-187
	HEIFER					
8-9	144-152	136-150	146-154	151-159	140-148	136-144
7-8	147-155	145-155	149-157	151-159	144-152	143-151
6-7	146-156	144-157	148-158	150-160	145-155	140-150
5-6	150-162	144-158	153-165	157-169	144-156	143-155
4-5	156-170	148-164	159-173	159-173	148-162	146-160
	COWS					
Util	65-74	57-71	68-77	66-75	60-70	60-69
Cn/Cut	48-57	46-59	51-60	50-59	49-59	54-64
	BULLS					
Bulls	81-89	76-93	82-90	82-90	80-90	83-93
Southeast	AL	AR	FL	GA	KY/TN	LA/MS
Wts	STEER					
9-10	135-141	139-145	130-136	134-140	142-148	134-140
8-9	137-145	142-150	130-138	138-146	146-154	134-142
7-8	138-146	146-154	132-140	139-147	152-160	138-146
6-7	142-152	148-158	138-148	144-154	152-162	140-150
5-6	153-165	156-168	148-160	151-163	153-165	153-165
4-5	161-175	168-182	166-180	161-175	161-175	161-175
	HEIFER					
8-9	122-130	128-136	118-126	122-130	132-140	120-128
7-8	124-132	132-140	120-128	127-135	137-145	124-132
6-7	126-136	134-144	122-132	130-140	137-147	125-135
5-6	130-142	136-148	125-137	130-142	132-144	131-143
4-5	134-148	140-154	138-152	136-150	134-148	133-147
	COWS					
Util	56-65	52-61	54-63	57-66	54-63	53-62
Cn/Cut	45-54	44-53	46-55	49-58	49-58	45-54
	BULLS					
Bulls	80-88	77-85	82-90	82-90	86-94	79-87

*COMPARED TO PRIOR WEEK - GREEN=HIGHER RED=LOWER BLACK=STEADY

PERCENT PROBABILITY OF A HIGHER PRICE - 3/WKS

	05-Nov	12-Nov	19-Nov
550 lb Steer	45%	55%	55%
850 lb Steer	40%	50%	55%
Fed Steer	50%	40%	45%
Utility Cow	10%	40%	55%
Composite Cutout	53%	58%	47%

*Compared to prior week - 20 year data



CattleFax

9110 East Nichols Avenue, Ste. 301
Centennial, Colorado 80112
1-800-825-7525

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Southern Plains Winter Wheat

Troy Applehans

The initial winter wheat crop condition index came in at 64 this week for the Southern Plains region. That is significantly better than last year at 57, yet is still near the bottom one-third of the ratings since 1992. As is identifiable in the accompanying chart, conditions do not tend to get significantly better between now and the end of the year, they are typically flat to worsening.

Comparing the drought monitor to the same week last year shows improved conditions this year in the main winter wheat grazing areas of Kansas, Oklahoma, Texas, and New Mexico, but still abnormally dry to moderate drought conditions persist in this region.

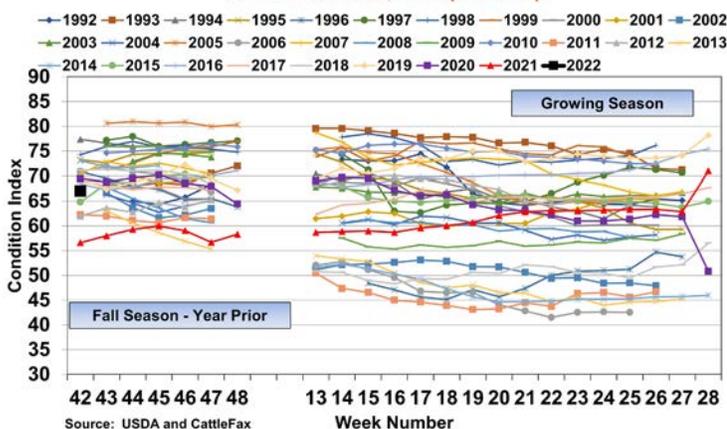
The total planted acreage number is still unknown at this point, however higher wheat futures prices should encourage more acres. Whether or not more or less farmers will choose to graze the wheat and potentially impact harvest yield remains to be seen, but it does appear as though most rent rates for wheat, by the head or on the gain, have increased this year.

Mother Nature will continue to play a big part in the success of the winter wheat grazing season and ultimately in the realization of the crop. Additionally, higher fuel prices will certainly have an impact on the irrigated wheat pasture input costs.

Also, while the calf crop is smaller and fewer total numbers of calves are available, the drought in the north and west will likely have more producers looking for winter grazing. So, wheat grazing demand is high, yet less graze-out wheat may be available in total if wheat prices stay elevated.

Southern Plains Winter Wheat Crop Progress - Crop Condition Index

As of October 24, 2021 (Week 42)



Summary of Activity

	THIS WEEK 29-Oct-21	LAST WEEK 22-Oct-21	YEAR AGO 30-Oct-20
Live Prices (\$/cwt)			
Placements	134,179	138,184	106,322
Shipments	130,202	121,603	109,102
Avg In-Weights	713	717	722
USDA Sltr Wgts	1,378	1,375	1,392
USDA Str Carc Wgt*	922	921	928
Days on Feed	186	181	170
Carryover Pct	53	53	48
Weekly Supply	703,900	711,200	605,300
Percent Grade Choice & Higher	81.17	81.51	82.12
Prime Grade Pct	8.91	9.12	10.23
Choice Grade Pct	72.26	72.39	71.89
Select Grade Pct	15.79	15.37	14.61

* USDA steer carcass weights are actual from two weeks ago.

Live Prices (\$/cwt)

Slaughter Steers	126.25	124.35	105.23
Steer Calf (450#)	183.12	182.05	162.76
Steer Calf (550#)	167.63	166.23	145.68
Yearling Calf (650#)	158.97	156.74	137.66
Yearling Calf (750#)	155.00	153.44	133.56
Yearling Calf (850#)	152.41	150.41	130.52
Utility and Commercial Cows	64.95	64.57	57.75
Canner and Cutter Cows	53.21	53.48	48.23
Lean Hogs	78.61	82.53	73.08
Omaha Corn (\$/bu)	5.55	5.23	3.86
12-City Broiler	100.98	102.40	69.09
Dollar Index	93.75	93.73	93.82

Meat Prices (\$/cwt)

Certified Angus Beef Cutout (UB)	303.43	302.48	225.28
Choice Cutout	284.89	280.66	207.32
Select Cutout	262.64	262.72	191.23
Choice/Select Price Spread	22.25	17.94	16.09
Cow Cutout	229.44	230.88	161.86
Hide and Offal	16.37	16.32	8.38
Pork Cutout	94.00	98.28	87.57

Slaughter (000 hd) and Meat Production (Mil lbs)

Cattle	668.0	661.0	639.5
Hogs	2,551.0	2,598.0	2,693.6
Total Red Meat Production	1,102.3	1,103.2	1,126.8
Beef Production	555.6	548.9	537.4
Pork Production	543.8	551.4	586.0
Poultry Production	N/A	886.6	879.5

Daily Cattle Prices (\$/cwt)

		CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu	10/28	N/A	127.18	125.76
Wed	10/27	154.96	126.37	125.76
Tue	10/26	156.03	125.47	124.95
Mon	10/25	155.50	124.52	124.23
Fri	10/22	155.89	124.52	124.23

** 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 -----				
	16-Oct-2021	10-Oct-2020	2021	2020	Pct Chg		
Total Sltr	643	637	26206	25033	UP 4.7		
	Pct	No	Pct	No			
Steers	46.4	299	49.1	313	12854	12397	UP 3.7
Heifers	31.5	203	29.8	190	7704	7325	UP 5.2
Cows	20.3	131	19.3	123	5215	4905	UP 6.3
Bulls	1.7	11	1.8	12	434	406	UP 6.9