

CattleFax UPDATE

THE
DECIDING
FACTOR

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All Eyes on Heifer Retention

Patrick Linnell

As the fall calf run begins, all eyes will be on signs of heifer retention of the 2023 spring-born calf crop. The number of heifers kept back will have a direct influence on the trajectory of the cow herd expansion and the tightening of feeder cattle and fed cattle supplies.

Multiple datasets suggest that heifer development and breeding with 2022-born heifers was limited on a national level. The number of beef replacement heifers was the lowest on record as of July 1, while the inventory of heifers on feed and in the fed slaughter mix have continued to run high.

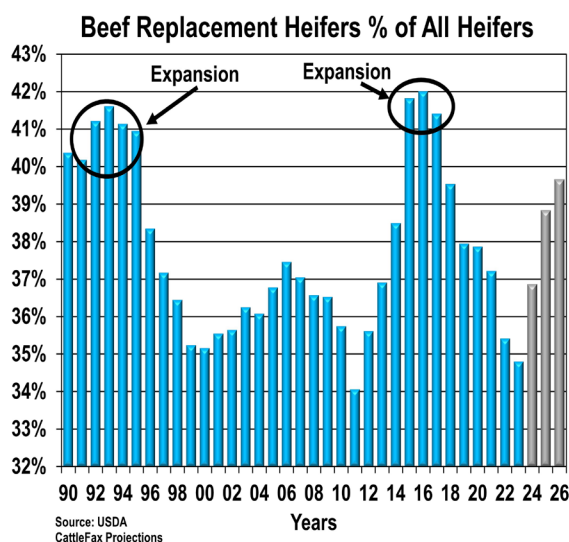
Increased heifer retention is expected this year as price signals are in place and drought conditions and forage availability have improved in many (but certainly not all) regions. It will be easy to see gains compared to the minimal heifer retention of the last two years so exactly how much more is the big question.

Much can change but early indications are not pointing towards overly aggressive retention. In the first three weeks of September, auction receipts have averaged 43.3% heifers, even with last year. Since July, video sales have actually sold a higher percentage of heifers at 37.8% from 35.3% in 2022.

While increased heifer sales is not a positive sign for expansion, these figures don't tell where the heifers will go, and the conditions are ripe for heifers to be picked up and developed by someone else. With more grazing prospects and likely lower backgrounding costs, there should also be more flexibility to hold heifers and make a decision later on their destination. The January 1 replacement heifer inventory, along with January 1 and April 1 heifer on-feed inventory will be key indicators on how much heifer retention has occurred.

In terms of the cow herd expansion, there are similarities but significant differences from the last cycle. Last time around, the cow-calf segment had been increasing heifer retention for several years before the first increase in the beef cow herd into 2015. When the cow-calf producer finally stopped culling cows aggressively, the heifers were already in the pipeline to accelerate the expansion. Consequently, the beef cow herd was able to expand 2.1 million head in the three years from 2014 to 2017.

Bottom line: Bred replacement heifers are in short supply and while more heifers are likely to be developed going forward, how much has yet to be defined. Even as cow culling drops, the heifers are not yet there to allow cow herd growth in a large way. This sets the stage for a slower turn to the beef cow herd and more methodical rebuild than the last cycle. If this is the case, the feeder cattle and fed cattle supply, while still seeing further reductions ahead, may not face as aggressive heifer retention as the last cycle.



Market Highlights

Fed Cattle – The North saw moderate trade volumes at \$184 live and mostly \$290 dressed with some trade up to \$292. This is steady to \$1 softer live and steady to \$2 softer dressed compared to last week. Moderate trade occurred in the South at \$183 live which is fully steady with last week.

Boxed Beef – The cutout continued lower and leveled out this week with the Choice cutout declining \$0.42/cwt and the Select cutout losing \$1.56/cwt. Support for the cutout is expected to strengthen seasonally as demand increases entering into a holiday buying period.

Feeder Cattle – Traded mainly \$3 lower to \$1 higher.

Calves – Traded mostly \$3 softer to steady.

Market Cows – Traded mainly \$1 to \$5 lower.

Corn – Remained rangebound, finishing 1 cent lower on the active December contract.

Potential Government Shutdown

Many USDA reports may not be available beginning next week. Which agencies and reports are impacted won't be known until a shutdown actually occurs. CattleFax will continue to collect and report as much market information as possible.

Outlook & Strategies Meeting

~Registration Now Open~

November 28, 2023

Denver Marriott South, Lone Tree, CO



FED-CATTLE OUTLOOK

Fundamentals Remain Strong

Kevin Good

The fundamental factors in the market, supply, demand, and leverage all are and will remain positive moving forward. Short term, with the possibility of a government shutdown, the psychology of the market is uncertain. Uncertainties in the marketplace are normally bearish especially for the futures complex. Moving into late year, the cash market is expected to outperform the futures market which will strengthen the live cattle basis. The Northern premiums have narrowed over the past month but are expected to remain in place moving forward. The cattle feeder's leverage has improved to the point where the packer margins are squeezed and therefore, they will continue to regulate kills in an attempt to support the product, improve their leverage, and maintain margins.

Next week: Offerings are expected to be even to smaller. The beef complex will trade steady to firmer. The fed market is expected to trade near \$183 to \$184 in the South.

October: Fed cattle supplies will remain manageable and beef production will remain nearly 5 percent below year ago levels, lending support to the markets. The result will be a gradually firming market. Trading in the mid-\$180s basis the South with continued premiums in the North.

November-December: Tighter placed against supplies will be noted and the beef market is expected to firm on holiday buying. Feeder leverage is expected to be strong as packers chase higher grading cattle to fill their holiday orders. This combination should result in a stronger trending market starting in the mid \$180s and ending at or above \$190 basis the South, with \$2-\$3 premiums expected in the North.

January-February: Seasonally tighter supplies will offset seasonally softer usage after the year end holidays. Look for prices to start near \$190 early, but firm moving toward late winter/spring fundamentals.

FED CATTLE CURRENTNESS INDEX

Uncurrent	Caution	Neutral	Current	Very Current
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FED CATTLE PRICES 29-SEP-2023

	Live Steers	Dressed Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	183	N.T	183	N.T	80,000	86%
KS	183	N.T	183	N.T	80,000	71%
NE	184	290-291	184	290-291	68,000	54%
CO*	N.T	N.T	N.T	N.T	20,000	100%
CB	184	290-291	184	290-291	23,000	0%



BOXED BEEF OUTLOOK

Leveling Out

Terrel Platt

The Choice cutout closed the week \$0.42/cwt. lower, while the Select cutout decreased by \$1.56/cwt. Prices mostly chopped sideways starting the week lower and finishing firmer with no significant price changes overall on the week. Kills ran above last week until Friday, which was 18,000 head lower, leading to an overall decline week over week.

Next Week: Pockets of demand should continue to develop as the market moves into the holiday buying period. Prices tend to take on a seasonally firmer trend, but gains may be limited as the initial stages of the fall rally unfold.

October: Demand is expected to build through the balance of the month fueling the higher trend as slaughter totals remain adequate at best and well below year ago further supporting a firmer market.

November-December: Prices are expected to hold a firmer trend into late November or early December as buyers secure inventory for Thanksgiving and Christmas.

PLACEMENTS & SHIPMENTS

CattleFax Placements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		Oct	Nov	Dec
WEEKLY AVERAGES (000 HD)													
2022	125	125	123	116	129	107	117	130	128	2021	136	130	131
2023	117	108	108	106	126	98	109	122	134	2022	124	114	112
23%22	94	86	88	92	97	92	94	94	105	22%21	91	88	85
23%5yr	96	86	85	93	89	79	89	93	93	22%5yr.	89	86	87

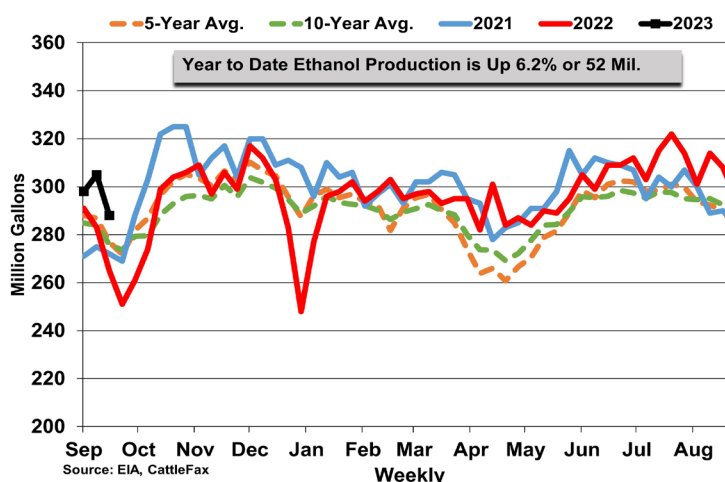
CattleFax Shipments

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		Oct	Nov	Dec
WEEKLY AVERAGES (000 HD)													
2022	124	118	125	122	125	128	125	123	129	2021	127	122	135
2023	121	110	115	120	126	124	131	123	125	2022	121	123	110
23%22	98	93	92	100	101	97	105	100	96	22%21	96	101	82
23%5yr	94	88	89	98	98	94	97	93	91	22%5yr.	97	97	85



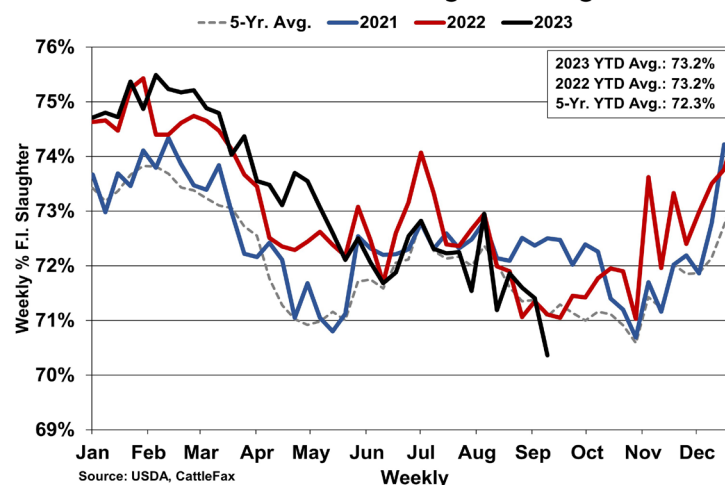
CHARTS OF THE WEEK

Weekly Ethanol Production



- Domestic ethanol production is up to begin the new market year. Year-to-date (for the new market year) production is up 6.2 percent or 52 million gallons.
- Given the recent increase in crude oil prices, ethanol producers will have incentive to keep output at or above year earlier levels.

USDA Choice Grading Percentage



- The percentage of cattle grading Choice has been on the decline for the past few weeks. The year-to-date average is equal to a year ago and about 1 percentage point above the five-year average.
- Seasonally, the percentage of cattle grading Choice tends to increase for the balance of the year.



FEEDER/CALF OUTLOOK

Futures Defensive

Troy Applehans

Cattle futures markets remained defensive this week for a multitude of reasons. Largely in an overbought posture, a correction was likely. Combined with the calendar at the end of a month and end of a quarter, with a government shutdown looming put traders in defensive mode. Fundamentals continue to suggest the cattle complex, overall, is in a positive situation with regards to supply and demand.

The feeder cattle and calf cash markets remain resilient for this time of year that usually puts them under more pressure than has been seen at this point. Cattle feeders have been able to continue to purchase feeder cattle that hold the money together well from a breakeven perspective, especially with softer costs of gain. While the calf market is still a couple of weeks from the large runs beginning in earnest, calf buyers remain active.

Price discovery during a government shutdown becomes more challenging. CattleFax has plans in place to continue to supply industry participants with market prices and trends.

Feeder Cattle:

October: Ample, yet declining, seasonal supplies throughout the period. Demand expected to remain high. Prices are expected to be stable with more upside potential late. Expecting Index support at \$250 with resistance near \$260.

November – December: Supplies will diminish throughout the period. Feeder cattle cash prices expected to advance before weakening late year. The corn crop and deferred live cattle futures will be key to feeder price potential. Expecting price potential into the mid-260s.

Calves:

October: Increasing volume during the period. U.S. average 550-steer prices expected to be supported near \$275+. Weakest prices expected in early October with price advancement the remainder of the month.

November – December: Values are expected to increase with more weaned calves available and winter grazing demand. Moisture profiles in certain regions will be a key determinant to price. U.S. average 550-pound steers are expected to trade near \$300.



FEED GRAIN OUTLOOK

Exports to Start the Market Year

Troy Bockelmann

Corn: Corn exports have slowed over the last two years as Chinese buying has declined and South American corn production reached record highs. With 2023 U.S. corn production expecting to be over a billion bushels above a year ago, exports are also expected to improve. The current USDA estimate is for exports to grow 385 million bushels from a year ago to 2.05 billion bushels. While the market year is just starting, with three weeks of data released, exports are up 19 million bushels from a year ago. At the same time, outstanding sales are running 8 percent or 35 million bushels below year ago levels. Seasonally, exports start to pick up after the first of the year, so there is still plenty of time to see sales support a higher export pace and export sales to Mexico are already above year ago levels. Overall, while sales are slightly lower, there is no reason to think that exports will not increase enough to meet the USDA estimate.

Soybeans: As corn production is expected to increase, smaller acres for soybeans will also mean smaller production. As a result, soybean exports are expected to continue to move lower for the fourth year in a row. The current estimate is for soybean exports to move 200 million bushels lower from a year ago to 1.79 billion bushels. While shipments in the first three weeks are 12 million bushels above a year ago, outstanding sales are well below year ago levels. Outstanding sales are near 600 million bushels but 340 million bushels below last year, with 244 million bushels of the drop coming from China. Overall, tighter stocks-to-use levels for soybeans and a large South American crop will continue to limit soybean export potential.

FEEDER/CALF PRICES-29-SEP-2023

West	AZ/NM	CA	CO	MT/WY	NV/UT	OR/WA/ID
Wts	STEER					
9-10	226-236	227-235	240-248	240-251	227-237	227-238
8-9	233-245	234-244	246-256	247-258	233-244	233-245
7-8	237-257	244-258	257-269	256-275	246-260	246-261
6-7	241-275	259-277	267-282	266-282	256-273	257-275
5-6	267-299	281-301	282-300	285-312	280-298	281-303
4-5	297-323	305-325	304-322	315-335	305-324	307-329
HEIFER						
8-9	215-230	221-231	230-240	227-250	221-233	222-234
7-8	223-242	231-243	240-252	243-256	230-243	230-244
6-7	230-253	240-255	245-260	245-268	238-254	238-255
5-6	234-272	256-274	257-275	258-277	251-270	251-271
4-5	258-292	276-294	272-290	279-305	273-291	274-298
COWS						
Util	102-120	110-122	106-116	101-120	106-120	104-119
Cn/Cut	81-103	93-105	92-103	91-105	93-106	91-107
BULLS						
Bulls	117-130	122-132	114-125	112-123	118-130	120-131
Central	IA	KS/MO	ND/SD	NE	OK	TX
Wts	STEER					
9-10	239-247	232-242	241-249	244-252	232-240	232-240
8-9	245-255	244-255	252-262	252-262	242-252	244-254
7-8	261-273	250-270	266-278	269-281	254-266	252-264
6-7	279-294	263-286	276-291	278-293	265-280	260-275
5-6	302-320	282-305	293-311	303-321	278-296	278-296
4-5	322-340	294-320	326-344	329-347	297-315	298-316
HEIFER						
8-9	226-236	223-236	234-244	240-250	220-230	219-229
7-8	237-249	234-246	245-257	247-259	233-245	232-244
6-7	248-263	241-258	253-268	257-272	244-259	239-254
5-6	264-282	254-274	273-291	276-294	247-265	248-266
4-5	282-300	263-282	289-307	290-308	259-277	270-288
COWS						
Util	107-117	96-110	107-117	108-118	102-112	94-104
Cn/Cut	83-94	79-97	88-99	83-94	92-102	84-94
BULLS						
Bulls	121-132	104-124	116-127	117-128	114-124	112-124
Southeast	AL	AR	FL	GA	KY/TN	LA/MS
Wts	STEER					
9-10	213-221	218-226	205-213	209-217	222-230	212-220
8-9	220-230	229-239	214-224	217-227	232-242	219-229
7-8	229-241	236-248	228-240	231-243	235-247	229-241
6-7	241-256	246-261	232-247	236-251	239-254	236-251
5-6	250-268	260-278	254-272	250-268	248-266	248-266
4-5	273-291	279-297	282-300	263-281	256-274	262-280
HEIFER						
8-9	204-214	209-219	197-207	201-211	212-222	203-213
7-8	207-219	213-225	207-219	209-221	214-226	209-221
6-7	213-228	220-235	209-224	211-226	219-234	213-228
5-6	218-236	228-246	225-243	221-239	222-240	222-240
4-5	234-252	240-258	243-261	227-245	229-247	232-250
COWS						
Util	93-102	91-100	96-105	90-99	93-102	93-102
Cn/Cut	84-93	79-88	83-92	81-90	81-90	80-89
BULLS						
Bulls	117-125	108-116	123-131	117-125	120-128	115-123

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

PERCENT PROBABILITY OF A HIGHER PRICE - 3/WKS

	6-Oct	13-Oct	20-Oct
550 lb Steer	40%	60%	55%
850 lb Steer	55%	50%	45%
Fed Steer	55%	70%	75%
Utility Cow	25%	40%	35%
Composite Cutout	30%	50%	75%

*Compared to prior week - 20 year data

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– RANDY SHIELDS, *General Manager, Wrangler Feedyard*

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A LEGACY OF PROGRESS

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A TRADITION OF RESULTS

Through it all, Rumensin has been there, improving feed efficiency by 4 percent and providing more energy from the ration,¹ all while delivering net returns of \$23.13/hd.² For the prevention and control of coccidiosis, Rumensin is the most potent feed ingredient available.² Instead of merely slowing cocci development, Rumensin kills coccidiosis parasites at three different stages in the life cycle.³ And it's more efficacious at lower doses compared to other ionophores.⁴

TRUSTED BY GENERATIONS

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

IMPORTANT SAFETY INFORMATION

CAUTION: Consumption by unapproved species or feeding undiluted may be toxic or fatal. Do not feed to veal calves.

For the prevention and control of coccidiosis due to *Eimeria bovis* and *Eimeria zuernii*: The label contains complete use information, including cautions and warnings. Always read, understand and follow the label and use directions.

DIRECTIONS FOR USE

Dosage/Use levels

Rumensin: Cattle fed in confinement for slaughter

For improved feed efficiency: Feed 5 to 40 g/ton of monensin (90% DM basis) continuously in a complete feed to provide 50 to 480 mg/hd/d.

For the prevention and control of coccidiosis due to *Eimeria bovis* and *Eimeria zuernii*: Feed 10 to 40 g/ton of monensin (90% DM basis) continuously to provide 0.14 to 0.42 mg/lb of body weight/d of monensin up to a maximum of 480 mg/hd/d.

1. Freedom of Information Summary (NADA 95-735).

2. Elanco Animal Health. Data on file.

3. McDougald LR Biol Coccidia 1982 373 (v1.0)

4. Long PL et al J Parasitol 1982 363 (v1.0)

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Hog Inventories Exceed Expectations

Mary Kurzweil

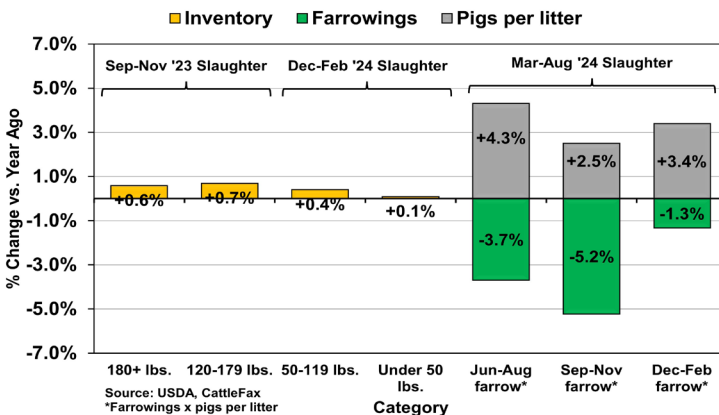
The September 1 USDA Hogs and Pigs Inventory report indicated that U.S. hog supplies are larger than expected now and for the foreseeable future. The report showed inventories up 0.3 percent compared to year ago and up 2 percent from last quarter at 74.3 million hogs.

The industry had expected a smaller supply going forward, driven by strong sow and boar slaughter. Poor margins have forced some contraction as indicated by a 7 percent year-over-year increase in sow and boar slaughter since May. The report reinforced this with the breeding herd down 1.2 percent and the culling rate up at 14.7 percent, the highest it has been since 2012.

The key change was a large gain in pigs per litter, which came in at 11.61 pigs saved per litter, which is a record high and up 4.3 percent from year-ago levels. This has meant that though farrowings were smaller as expected, increased efficiency has offset those declines. This report also revised previous reports higher to show larger pig crops from December 2022 through May 2023. Ultimately, this report indicates market hog supplies are at or above year-ago levels now and through the first half of 2024.

Going forward, with the breeding herd the lowest since 2016 and farrowing intentions down, supplies should be more constrained. Still, continued gains in pigs per litter can offset quite a bit of that as last year was below trendline due to reproductive disease challenges.

U.S. Market Hog Inventory September 1, 2023 vs. Year-Ago



Bottom Line: The U.S. hog inventories are larger than the industry expected, with market hogs above year-ago levels for the next 9 months, which is bearish to hog markets short term. Though the breeding herd is smaller, gains in productivity could continue to offset those declines, meaning a steady market hog supply.

Summary of Activity

	THIS WEEK 29-Sep-23	LAST WEEK 22-Sep-23	YEAR AGO 30-Sep-22
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CattleFax Data

Placements	136,087	142,681	124,057
Shipments	117,125	119,628	126,021
Avg In-Weights	736	721	724
USDA Sltr Wgts	1,361	1,358	1,369
USDA Str Carc Wgt*	919	917	918
Days on Feed	182	184	181
Carryover Pct	43	40	40
Weekly Supply	598,100	572,800	478,900
Percent Grade Choice & Higher	78.63	79.77	78.72
Prime Grade Pct	8.27	8.36	7.61
Choice Grade Pct	70.36	71.41	71.11
Select Grade Pct	17.41	16.21	17.39

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

Live Prices (\$/cwt)

Slaughter Steers	183.54	184.13	144.06
Steer Calf (450#)	308.13	309.81	210.89
Steer Calf (550#)	286.55	289.38	196.11
Steer Calf (650#)	266.85	268.32	185.78
Yearling Steer (750#)	255.92	257.92	177.12
Yearling Steer (850#)	244.40	246.05	171.18
Utility and Commercial Cows	105.90	109.22	81.62
Canner and Cutter Cows	91.29	93.75	69.75
Lean Hogs	86.14	87.08	94.91
Omaha Corn (\$/bu)	4.77	4.65	7.34
12-City Broiler	116.02	115.26	124.02
Dollar Index	105.91	105.23	112.65

Meat Prices (\$/cwt)

Certified Angus Beef Cutout (UB)	311.76	314.31	268.97
Choice Cutout	301.51	301.93	246.08
Select Cutout	277.44	279.00	219.78
Choice/Select Price Spread	24.07	22.93	26.30
Cow Cutout	239.13	241.63	208.20
Hide and Offal	13.53	13.69	14.87
Pork Cutout	96.92	98.75	98.80

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

Cattle	612	625	667
Hogs	2604	2537	2485
Total Red Meat Production	1047	1041	1084
Beef Production	505	515	553
Pork Production	539	523	528
Poultry Production	895	803	877

Daily Cattle Prices (\$/cwt)

		CME AVG FDR PRICE	6 STATE FED STR PRICE**	KS-TX-OK FED STR**
Thu	Sep 28	NT	183.87	183.00
Wed	Sep 27	252.20	183.51	183.00
Tue	Sep 26	253.27	183.51	182.99
Mon	Sep 25	253.90	184.12	183.00
Fri	Sep 22	254.06	184.12	183.00

** 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-Sep-2023	17-Sep-2022	2023	2022	2023	2022	Pct Chg
Total Sltr	631	673	23001	24028	DN	-4.3	
Steers	48.2	49.1	10806	11418	DN	-5.4	
Heifers	30.2	29.6	7144	7258	DN	-1.6	
Cows	19.7	19.5	4676	4950	DN	-5.5	
Bulls	1.9	1.8	376	402	DN	-6.5	