

CattleFax

UPDATE

THE
DECIDING
FACTOR

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Fall Run: Sell or Hold

Lance Zimmerman

While Labor Day is the official end of summer for most Americans, it is also the start of the fall calf run for U.S. cattle producers. Weaning and harvest will dominate the fall, and many ranchers will be deciding whether to sell this year's calf crop or retain ownership.

Producers in the West and upper Midwest will likely be sellers as drought continues to decimate those ranches. However, producers in other areas have tougher decisions. Feed resources remain relatively plentiful, but calf and feed prices are considerably higher than in recent years.

The U.S. average 550-pound steer market is trading at levels not seen since 2018. It is a market that has the potential to offer sellers \$50 to \$100 per head more than last year for fall-weaned calves. That is margin the cow-calf segment could sorely use now.

That said, higher corn prices have elevated feed costs to levels not seen since the early 2010s, and feedyard costs of gain are more than \$1/lb. Typically, that leads to a cattle market that rewards cow-calf producers for adding weight to fall-weaned calves through the winter.

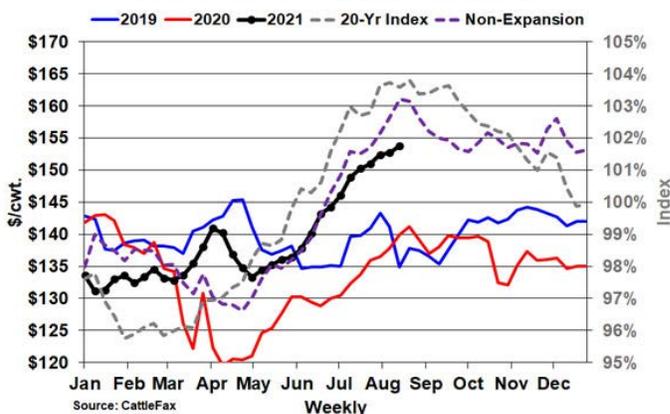
During the last 12 years, the market has paid cattle producers an average of \$0.95/lb. to add 300 pounds to fall-weaned calves over the winter.

Now, assume that is the estimated cost of gain for this year, and project a smaller than normal break in the U.S. 500-pound steer market with October values near \$170/cwt. Under that scenario, \$142/cwt is a conservative February breakeven sales price for an 800-pound steer.

Over the last 20 years, feeder cattle prices have declined an average of 5 percent from August to February. That implies a \$146/cwt market price. CattleFax expects tighter cattle supplies and stronger deferred live cattle futures prices to support feeder cattle above that target – assuming corn prices remain relatively rangebound.

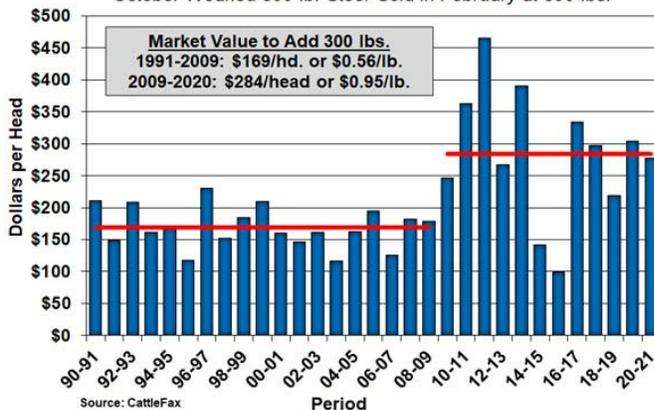
Bottom Line: Calf sellers likely have tough marketing decisions to make this fall, but retained ownership into the winter is a viable option for producers with relatively cheap and plentiful feed.

CattleFax U.S. 800-lb. Steer Price



The Market Value for Additional Weight

October Weaned 500-lb. Steer Sold in February at 800-lbs.



MARKET HIGHLIGHTS

Fed Cattle – Light trade occurred in the North at \$125 to \$129 live, and a range of \$200 to \$208 dressed, with most being about \$203 – mostly steady to \$2 firmer than last week. Light volumes were traded in the South at mainly \$121 to \$123 – steady to \$1 firmer relative to the prior week.

Boxed Beef – The Choice cutout ended the week \$5.64 higher and Selects increased \$3.18/cwt. While prices did increase the movement was much smaller than previous weeks, which suggests buyers are beginning to pullback.

Feeder Cattle – Traded mixed at mostly \$1 softer to \$2 firmer.

Calves – Traded mixed, from \$3 lower to \$2 higher.

Market Cows – Traded steady to \$2 softer.

Corn – Ended the week up 16 cents/bushel.

TRENDS+ COW-CALF WEBINAR

September 1, 2021

To participate in the webinar and access program details, producers and industry leaders simply need to [register here](#) online.

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SAVE THE DATE!

2022 OUTLOOK & STRATEGIES SEMINAR

November 30, 2021

Denver, CO

Denver Marriott South at Park Meadows

Please contact Leigh Ann Bradley for more information at 800-825-7525 or leigh@cattlefax.com

FED-CATTLE OUTLOOK

Slow & Steady

Patrick Linnell

The fed market continues to grind slowly higher, reflecting a slow and steady improvement in the front-end supply. End-product demand remains strong with last minute Labor Day buying providing the recent surge. Even as the product market declines looking towards the backside of the holiday, the fed market should be supported by optimism in the futures complex and the significant margin in the system. Labor challenges on one hand, and gradually moderating fed cattle supplies on the other are likely to result in a mostly sideways to firm market in the coming weeks. Smaller placed-against supplies into the fall and winter should provide additional upside as the calendar progresses.

Next Week: Offerings are expected to be near steady. Beef is likely to continue the weakness from late this week as buyers look past Labor Day. A market that trades fully steady near \$123 South is expected, with a continued premium North.

September: A somewhat flatter market could develop for a time as the beef declines, although the general trend should remain firmer. The front-end supply should continue to improve, but the degree will depend on the slaughter pace. Basis the South, a \$123 to \$126 market is likely, with the best of the market late. The North could remain at a premium, although not as wide as witnessed recently.

October - December: Smaller placed-against supplies should continue to favor more manageable fed cattle supplies into year-end. At the same time, beef demand will remain strong with price levels supported above pre-COVID levels. With the value in the system, even modest improvements in leverage leave upside to fed cattle and should result in a higher trending market. A market in the mid-\$120s to start this period is likely to improve into the low-\$130s by late-year.

FED CATTLE CURRENTNESS INDEX



FED CATTLE PRICES 27-AUG-2021						
	Live Steers	Dressed Prices	Live Heifers	Hot-Wgt Prices	Trade Volume	Contract Formula
PANH	122-123	N.T	122-123	N.T	79,500	87%
KS	123	N.T	123	N.T	81,000	82%
NE	125-128	200-208	125-128	200-208	64,000	82%
CO	125	N.T	125	N.T	25,500	94%
CB	127-130	200-208	127-130	200-208	17,000	0%

BOXED BEEF OUTLOOK

Buyers Cry Uncle

Duane Lenz

Prices for the Choice cutout closed the week \$5.64 higher, while over the same period Selects advanced by \$3.18. Although the weekly quote was higher, prices were defensive late week. With production increasing, Labor Day buying ending, and pushback from consumers after recent price advances, buyers have begun to pullback to see if values will drop in the near future.

Next Week: Slower demand and another week of larger production could result in a softer week for prices. Good demand for beef, and holiday interrupted slaughters will provide price support.

September: An early month setback is possible, yet price declines will be watched by buyers on the lookout for pricing opportunities. This could limit any pullback that occurs.

October - November: Pent-up demand for both family and business gatherings for the holidays will keep buyers aggressively seeking middles. That factor, as well as more limited offerings, will be a catalyst for consistently higher beef quotes.

PLACEMENTS & SHIPMENTS

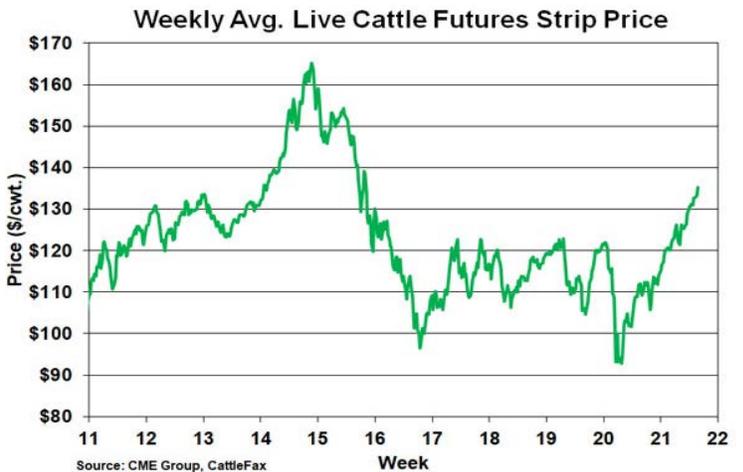
Weekly Average Placements (000 hd)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	2019	Sep	Oct	Nov	Dec
2020	120	116	102	100	145	133	132	133	2019	147	167	141	134
2021	127	114	146	117	139	120	121	140	2020	141	131	118	120
21%20	106	98	143	117	96	90	92	105	20%19	96	78	84	90
21%5Yr	103	88	111	97	93	92	98	106	20%5Yr	95	89	88	94

Weekly Shipments (000 hd)

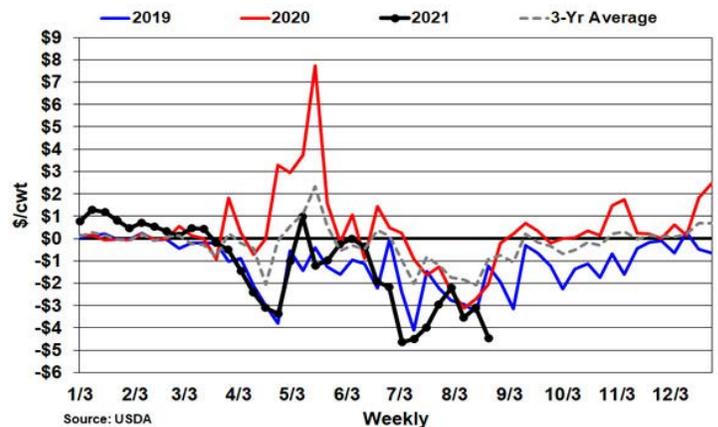
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	2019	Sep	Oct	Nov	Dec
2020	131	127	128	114	101	127	139	131	2019	137	129	129	135
2021	130	129	137	118	135	124	139	130	2020	134	122	120	129
21%20	99	102	107	104	134	98	100	99	20%19	98	95	93	96
21%5Yr	98	104	110	91	102	91	98	93	20%5Yr	96	96	94	101

CHARTS OF THE WEEK



- The live cattle futures strip is at \$135/cwt this week. It is the highest value since October 2015. Stronger beef demand and expectations of tighter supplies have supported the rally.
- The cash cattle markets will need to take more of a leadership position going forward to support recent futures gains.

USDA Kansas - Nebraska Fed Steer Spread



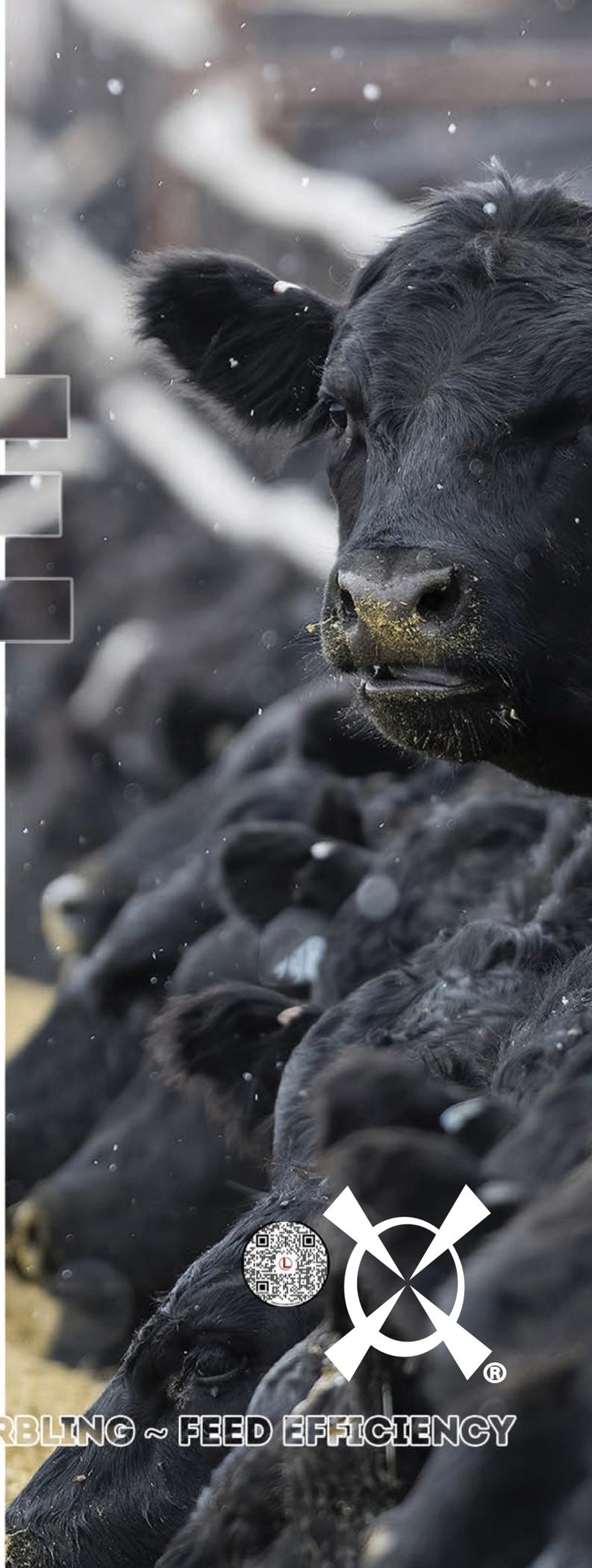
- The Kansas-Nebraska fed steer spread has been historically wide the last couple of months, ranging from roughly -\$2/cwt to nearly -\$5/cwt.
- The spread reflects the difference in currentness, as Kansas continues to work through a burdensome front-end supply. The spread should seasonally narrow, but may remain wider than the 3-year average.

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**OPPORTUNITIES FOR THE
COMMERCIAL CATTLEMEN**

LIM-FLEX 
Limousin x Angus Hybrid

MUSCLING ~ IMPROVED MARBLING ~ FEED EFFICIENCY



THE PROOF IS IN THE GENETICS

Since the first Limousin cattle were imported into the United States, the breed has impacted to the beef industry. The breed's superior efficiency in turning feed and forage to pounds of beef made it a mainstay in profit-minded breeding systems and continues to do so today.

A strong commitment in continued breed improvement by members of the North American Limousin Foundation has created cattle that are relevant in a changing industry. The North American Limousin Foundation is a partner of International Genetic Solutions, which provides the largest multi-breed genetic evaluation in the world for international cattle evaluation and development of EPDs. Never in history has there been such a wide array of genetic material evaluated under one roof. The result is the deepest and broadest selection pool ever available to our industry with over 16,000,000 total animals and more than 340,000 new animals being added annually.

Calving ease and calf vigor are traits upon which the Limousin breed was founded on in this country. The Limousin breed remains a calving ease leader. Limousin influenced females are unsurpassed in terms of stayability and lifetime maternal productivity.

NALF was the first breed association to create a docility EPD, allowing both breeders and commercial producers a selection tool for this trait.

Using Limousin and Lim-Flex makes economic sense. Heterosis and breed complementarity are powerful forces that combine to produce the total crossbred advantage of beef cattle crossbreeding. This crossbred advantage can amount to as much as 25 percent greater lifetime productivity (pounds of calf weaned per cow exposed) for crossbred cows as compared to straightbred cows. Some commercial cow herds have drifted towards straightbred herds in an attempt to achieve management simplicity, greater uniformity in their cattle, and to pursue a premium (non-commodity) product. The result of this shift is the loss of most of the heterosis that once existed in many of our commercial cow herds.

Loss of heterosis shows up in the same lowly heritable traits that would be associated with inbreeding depression, namely reproductive, fitness and longevity traits. Thus, the price paid for loss of heterosis occurs as a number of very small losses that when added up can amount to a substantial sacrifice in lifetime productivity (25%).



 FEEDER/CALF OUTLOOK

Calf & Feeder Market Dependency

Troy Applehans

The new realm of reality in the cattle business since 2016, regarding the sheer lack of leverage on behalf of the producers continues to stagnate the potential catalyst needed to propel the cash markets. The greatest percentage of the overall margin per head continues to be dominated by the packing segment. The good news is the amount of margin per head is at record high levels. The profitability quotient of the market is there to be passed around...eventually.

The calf and feeder markets are highly dependent on the fed cattle market going forward. The fed market is coming out of the dog days of summer, with continued ample inventories. The futures markets feel topy for the moment. Post Labor Day, expectations are for market improvement. This needs to happen for calf and feeder market stability and/or improvement.

Feeder Cattle:

Next Week: Feeder supplies will remain manageable. Demand is leveling off. Prices are expected to continue in a steady/firm trend.

September: Cash is expected to continue to trend steady to higher. Futures price resistance remains in the mid \$160s for this period. Cash expected to trend towards those levels, but the fed market needs to improve.

October - November: Supplies will tighten during this period. Prices near mid-\$160s or better is the outlook. Corn yields will be important to monitor.

Calves:

Next Week: Spotty/weak calf demand on limited supplies will remain. Steady/weak prices expected.

September: Typically, light supplies during this timeframe. Early weaning may increase numbers. Prices are generally soft. Unweaned calves will dominate the supply with poor acceptance. Expect support in the mid-\$160s for U.S. average 550-pound steers.

October - November: Supplies will be big throughout this timeframe. Winter grazing prospects, feed supplies and feed prices will be important to the calf market. Market support is expected to remain in the mid-\$160s.

 FEED GRAIN OUTLOOK

Corn Crop Conditions Continue to Fall

Troy Bockelmann

The CattleFax Corn Crop Condition Index (CCI) is a weighted average of the USDA crop conditions. This is one indication of the crop potential. As the crop conditions opened for the year, the CCI was in an acceptable position, but has continued to trend lower. After slightly increasing in June, the CCI has continued to trend lower since.

Last week the CCI was at 71.2, and the lowest so far this crop season. This is down from the peak this year of 77 and down from 74.6 a year ago. Crop conditions will drive yield potential, and the current USDA forecast of 174.6 bu./acre could be too low given the current CCI. Yet a below trendline yield is likely. Crop conditions tend to have a lower bias going into the fall, so it will be important to continue to monitor the CCI to look for continued declining conditions.

September - October: December futures have now taken back all the gains after the August WASDE report, and on Monday reached the lowest levels in over a month at \$5.35/bushel and tested the shorter-term uptrend. The market is now back near \$5.50/bushel and the sideways trading pattern continues. Prices are expected to trend sideways until further confirmation of yield occurs. If yield is closer to 177 bu./acre, then prices are expected to trend lower into the fourth quarter. If yield is closer to the USDA estimate, prices could remain in the same practical range of \$5.25 to \$5.75 the market has been trading.

FEEDER/CALF PRICES 27-AUG-2021

West	AZ/NM	CA	CO	MT/WY	NV/UT	OR/WA/ID
Wts	STEER					
9-10	135-142	136-142	150-156	149-155	136-144	137-145
8-9	140-148	141-149	154-162	156-165	141-152	143-153
7-8	147-156	148-156	160-168	160-171	147-157	149-159
6-7	154-166	156-166	166-176	165-176	155-166	156-168
5-6	159-178	161-173	174-186	171-183	159-172	160-175
4-5	166-194	168-182	184-198	185-204	168-184	169-185
	HEIFER					
8-9	126-136	129-137	143-151	143-153	130-142	133-143
7-8	134-144	137-145	146-154	148-159	137-147	138-148
6-7	141-154	143-153	151-161	149-163	142-154	143-155
5-6	145-160	147-159	155-167	155-171	146-160	147-161
4-5	146-171	148-162	162-176	164-179	148-165	149-166
	COWS					
Util	67-77	70-79	69-78	68-77	70-79	69-80
Cn/Cut	54-69	56-65	53-62	57-67	56-66	56-67
	BULLS					
Bulls	84-96	86-94	88-96	84-96	85-94	86-95
Central	IA	KS/MO	ND/SD	NE	OK	TX
Wts	STEER					
9-10	147-153	142-153	151-157	156-162	141-147	141-147
8-9	156-164	149-158	155-163	159-167	149-157	149-157
7-8	160-168	154-167	159-167	166-174	156-164	156-164
6-7	168-178	163-178	170-180	170-180	163-173	162-172
5-6	175-187	168-186	173-185	180-192	168-180	168-180
4-5	183-197	176-192	180-194	195-209	176-190	178-192
	HEIFER					
8-9	142-150	136-146	144-152	149-157	136-144	132-140
7-8	145-153	140-153	149-157	150-158	144-152	140-148
6-7	151-161	146-159	153-163	158-168	148-158	147-157
5-6	156-168	150-165	159-171	159-171	148-160	146-158
4-5	164-178	153-167	160-174	168-182	153-167	152-166
	COWS					
Util	69-78	64-74	70-79	69-78	64-72	65-75
Cn/Cut	53-62	53-63	53-62	52-61	57-67	61-71
	BULLS					
Bulls	88-96	84-99	86-94	88-96	85-95	88-95
Southeast	AL	AR	FL	GA	KY/TN	LA/MS
Wts	STEER					
9-10	130-136	136-142	125-131	129-135	134-140	129-135
8-9	134-142	143-151	129-137	133-141	142-150	134-142
7-8	138-146	147-155	133-141	136-144	145-153	137-145
6-7	148-158	153-163	140-150	143-153	153-163	145-155
5-6	157-169	163-175	149-161	154-166	160-172	155-167
4-5	170-184	176-190	172-186	169-183	165-179	168-182
	HEIFER					
8-9	123-131	129-137	119-127	122-130	131-139	122-130
7-8	126-134	132-140	120-128	123-131	133-141	124-132
6-7	129-139	135-145	126-136	130-140	137-147	130-140
5-6	133-145	142-154	132-144	132-144	141-153	132-144
4-5	142-156	149-163	146-160	143-157	142-156	140-154
	COWS					
Util	67-76	60-69	65-74	69-78	66-75	64-73
Cn/Cut	57-66	55-64	56-65	61-70	59-68	57-66
	BULLS					
Bulls	91-99	85-93	89-97	92-100	96-104	87-95

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

PERCENT PROBABILITY OF A HIGHER PRICE - 3/WKS

	03-Sep	10-Sep	17-Sep
550 lb Steer	35%	55%	35%
850 lb Steer	50%	65%	60%
Fed Steer	30%	55%	50%
Utility Cow	20%	40%	40%
Composite Cutout	26%	26%	32%

*Compared to prior week - 20 year data



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Calf Market Well Supported

Troy Applehans

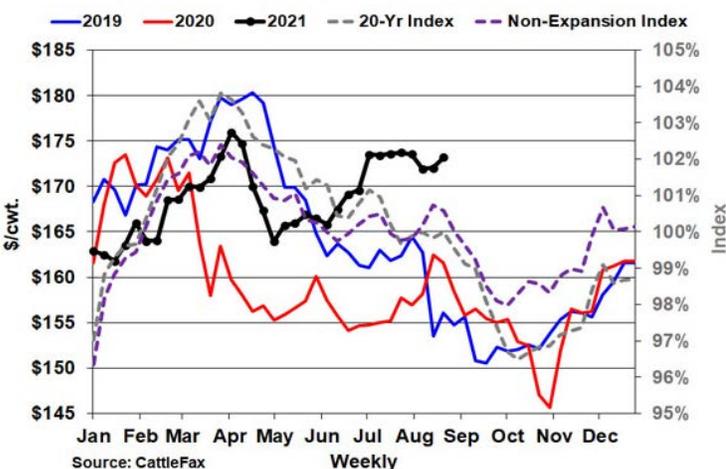
There is certainly more optimism and a higher market bias for calf prices this fall than there has been for several years. The calf market has performed well in 2021 and has been somewhat contra-seasonal since June. After the \$176 spring high, the market retreated over \$10/cwt during April while corn was increasing over \$2/bushel. The market made up some lost ground during May and June and has been above \$170 since July.

The calf market will likely experience the typical seasonal downtrend after Labor Day but is expected to have more support than the average decline from the spring high to the fall low of 15 percent. The accompanying chart is the spot market and does not account for video or private treaty sales for deferred delivery. Notice the Non-Expansion seasonal index that indicates calf values are typically 2 to 3 percentage points higher than the long-term 20-year index.

The coming calf-run is expected to experience the best fall prices since 2018. The premiums in the deferred feeder cattle and live cattle futures contracts will assist in keeping prices stronger than the past couple years. The futures market may have a downward bias in the near term, yet still maintain premiums to the cash feeder and live cattle market.

Bottom Line: Expect the calf market to have more price support than the typical seasonal tendencies suggest. Calf prices, based on a U.S. average 550-pound steer, should be well supported in the mid-\$160s during the fall run from September through November. As always, weather, feed prices and corn harvest can result in either a risk or an assist.

CattleFax U.S. 550-lb. Steer Price



Summary of Activity

THIS WEEK 27-Aug-21 LAST WEEK 20-Aug-21 YEAR AGO 28-Aug-20

Live Prices (\$/cwt)	THIS WEEK	LAST WEEK	YEAR AGO
Placements	133,592	134,084	124,780
Shipments	123,527	131,541	124,207
Avg In-Weights	767	749	745
USDA Sltr Wgts	1,352	1,353	1,374
USDA Str Carc Wgt*	898	896	906
Days on Feed	184	185	180
Carryover Pct	48	47	50
Weekly Supply	689,300	679,400	687,900
Percent Grade Choice & Higher	81.58	81.38	82.95
Prime Grade Pct	8.77	8.90	9.51
Choice Grade Pct	72.81	72.48	73.44
Select Grade Pct	15.36	15.50	14.12

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

Live Prices (\$/cwt)	THIS WEEK	LAST WEEK	YEAR AGO
Slaughter Steers	125.63	124.89	105.05
Steer Calf (450#)	184.63	183.34	169.92
Steer Calf (550#)	173.22	172.00	158.39
Yearling Calf (650#)	165.55	165.15	150.33
Yearling Calf (750#)	157.16	156.81	142.61
Yearling Calf (850#)	151.60	150.80	135.55
Utility and Commercial Cows	71.40	71.95	63.44
Canner and Cutter Cows	60.50	61.22	55.39
Lean Hogs	101.45	105.92	55.95
Omaha Corn (\$/bu)	6.28	6.15	3.29
12-City Broiler	104.51	104.65	63.82
Dollar Index	93.01	93.67	92.33

Meat Prices (\$/cwt)	THIS WEEK	LAST WEEK	YEAR AGO
Certified Angus Beef Cutout (UB)	343.58	345.37	246.22
Choice Cutout	347.27	341.63	231.54
Select Cutout	319.59	316.41	214.26
Choice/Select Price Spread	27.68	25.22	17.28
Cow Cutout	233.53	232.55	184.43
Hide and Offal	15.12	15.07	7.81
Pork Cutout	116.40	121.40	72.78

Slaughter (000 hd) and Meat Production (Mil lbs)	THIS WEEK	LAST WEEK	YEAR AGO
Cattle	651.0	665.0	653.7
Hogs	2,444.0	2,445.0	2,652.5
Total Red Meat Production	1,045.3	1,057.8	1,108.4
Beef Production	531.9	543.5	548.7
Pork Production	510.9	511.8	556.4
Poultry Production	N/A	873.4	895.4

Daily Cattle Prices (\$/cwt)	CME AVG	6 STATE FED	KS-TX-OK
	FDR PRICE	STR PRICE**	FED STR**
Thu 08/26	N/A	125.20	122.79
Wed 08/25	158.79	125.89	122.00
Tue 08/24	158.07	130.00	122.00
Mon 08/23	156.60	127.05	122.00
Fri 08/20	155.73	124.49	122.00

** 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 -----		
	14-Aug-2021	08-Aug-2020	2021	2020	Pct Chg
Total Sltr	636	633	20455	19266	UP 6.2
Steers	49.7	49.9	10051	9512	UP 5.7
Heifers	28.0	31.0	6011	5606	UP 7.2
Cows	20.4	17.5	4063	3845	UP 5.7
Bulls	1.9	1.6	331	303	UP 9.2