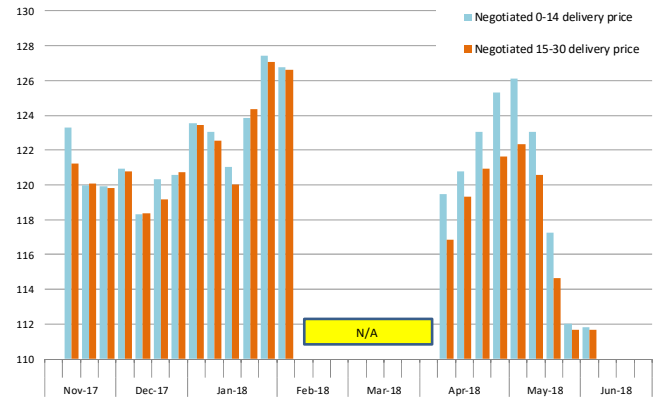


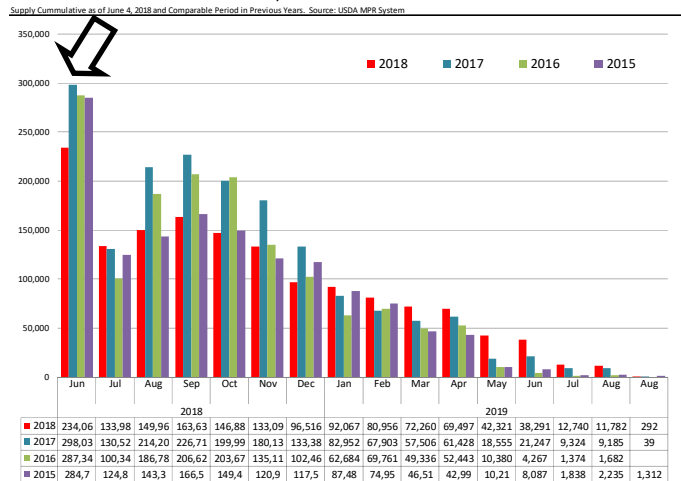
June is a delivery month for fed cattle and futures market participants, who normally watch cash prices pretty closely, will focus on those numbers even more. Cattle are traded just about every day but the volume traded tends to vary greatly. Additionally, USDA will publish price and volume data it receives only when they pass the confidentiality thresholds as prescribed in the LMR rules. All the prices and volumes traded are captured, however, and reported by USDA at the start of each week for the week prior. One of the best reports that the Agricultural Marketing Service of USDA has published recently is the 'National Weekly Fed Cattle Comprehensive' report. It pulls together not just the volume and price of cattle traded but it also offers insights as to how cattle were traded (negotiated, formula, grid), the price of cattle depending on when they will deliver, the average weight of cattle and the grading percentage. The most recent report was published on Tuesday June 5 and it covered cattle sales between 2PM of Monday, May 28 and 10AM of Monday June 4.

The average price of beef type cattle traded last week, based on this report was \$183.68 on a dressed basis and \$112.14 on a live basis. This includes all cattle prices, however, not just those priced in the negotiated market. **One item we like to watch closely is the price of negotiated cattle depending on the delivery window.** This information can be particularly important as the cattle contract is coming into expiration. This report now offers participants a better understanding of the timing of discounts, since they may apply to cattle that will deliver after the contract has expired. Consider this example. The comprehensive report for week ending April 23 (a delivery month) showed that cattle negotiated for delivery 0-14 days out were priced at \$193.76 on a dressed basis. Using a dressing yield of 63.5% this implies a live price of \$123. Some 100k cattle were traded at that price. But there were also another 30k head of cattle that traded at \$190.46 dressed (\$120.9 live) but they were to deliver 15-30 days out. This level of detail was not available prior to last summer. And with all the information that is tends to percolate in the market, the data helps put in things in context. Additionally, we think the price for cattle delivering in the next 15-30 days offers insights as to how packers view market conditions in the near term. In this latest report, the price on cattle negotiated 0-14 days out was \$111.8/cwt live equivalent and the price of cattle negotiated 15-30 days out was \$111.7.cwt. So packers were paying almost \$112 for cattle delivering towards the end of June and yet futures started the month near \$104. It is no secret that packers at this time have fewer cattle bought on a forward basis than in the past three years. With plenty of cattle in the feedlot packers likely did not feel compelled to have a large forward position. Forward beef sales continue to run above year ago levels, indicating robust retail beef features through the summer. And as long as middle meat prices (steak cuts) hold together, packers will have no problem going out in the market to buy cattle and pay up for them. Keep an eye on that rib and loin primal, it will tell you plenty.

Implied Live Fed Cattle Negotiated Prices. Weekly. 0-15 & 15-30 day delivery window. Source: USDA-AMS Comprehensive Cattle Report. Prices converted on a live basis using a 0.635 yield.

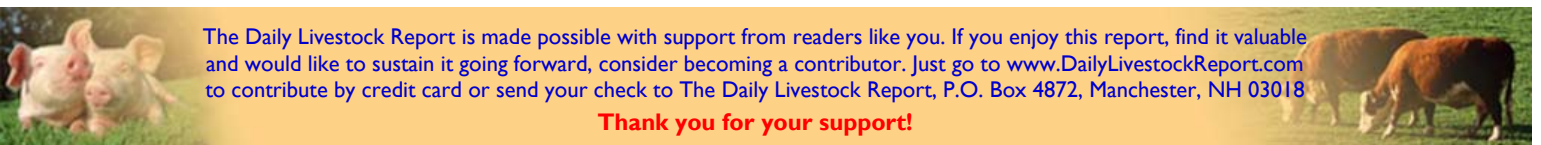


Cattle Forward Contracted for Delivery in a Given Month



P.S: Following our note requesting annual support for this report, we received plenty of calls/emails from companies and individuals pledging their support for another year of the DLR. **We want to thank each and every one of you.** It has been our privilege to communicate our thoughts/ideas about livestock markets and hope to do this going forward. Your support is greatly appreciated. For those that want to pledge their support, you can either call us at 800.526.4612 or email us at:

len@dailylivestockreport.com



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