

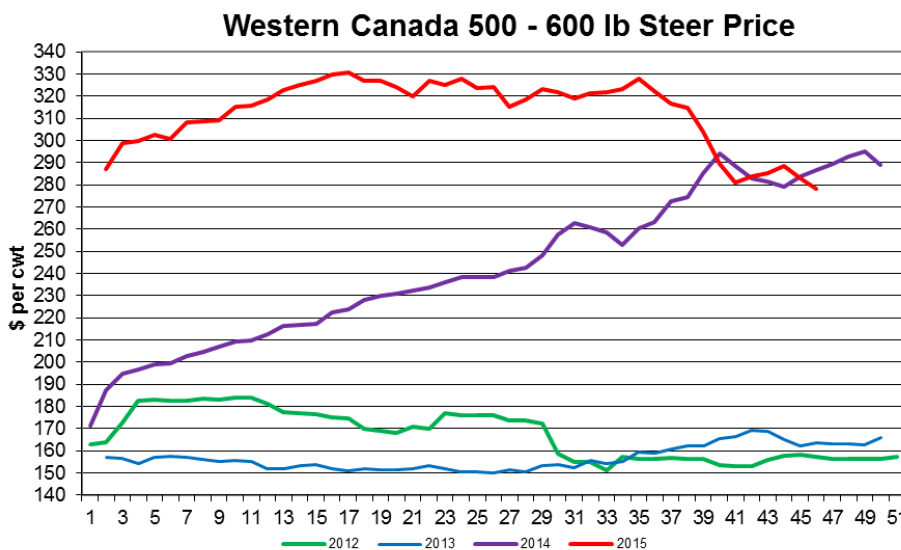
THE BOTTOM LINE

November 18, 2015

SC
springcreek
land & cattle consulting
www.springcreekconsulting.ca

Uncertain Times

Extreme volatility continues to plague the entire North American cattle complex and the price pressures are coming from various directions. Instability of cattle futures contracts and less than impressive product movement has created considerable price pressure across the cattle complex. This negativity in the North American market is coming at a time when marketing volumes are at their seasonal highs during the peak of the fall run across Western Canada which is placing additional local pressure on some markets.



Western Canadian feeder cattle prices are now marginally below year ago levels with 500-600 lbs calves \$5 per cwt below the same week last year. From the annual peak of \$330 per cwt nearly reached in late August, 500-600 lbs feeders have lost almost \$50 per cwt or \$275 per head. Although the feeder market has come under pressure in recent weeks it is important to keep perspective. We are still seeing cattle trade at or near record high levels. Feeder calves weighing 500-600 lbs are bringing well over \$1500 head on average which is over \$600 per head more than the same week two years ago.

As we move towards the end of the year we still anticipate some renewed strength in the feeder market as buyers look to secure their year-end purchases. That being said, renewed optimism will have to be sustained across the complex for any considerable price gains to persist.

Last Week in Review

Nov Feeder Cattle*	📉 \$174.88
Dec Live Cattle*	📉 \$130.98
Dec Corn Futures (\$/bu)*	↔ \$3.62
Lethbridge Barley (\$/bu)	↔ \$4.79
Canadian Dollar*	📉 \$0.7509
West Cdn Auction #s	📉 157,453 hd
AB Feeder Steers (5-600)	📉 \$278.06
AB Feeder Steers (7-800)	📉 \$241.14
West CDN Fed Steers	📉 \$161.49
US Fed Steers*	📉 \$127.41
CDN FI Slaughter**	📉 47,456 hd
D1,2 Cows	📉 \$111.40
Feeder Exports**	📉 2,912 hd
Fed Exports**	📉 4,192 hd
USDA Choice Cutout*	📉 \$206.80

*US dollars

** Week ending Nov 7

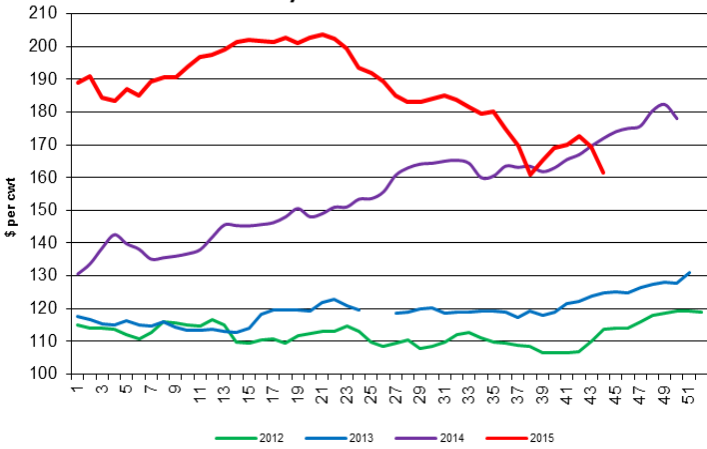


WHAT TO WATCH

The week of November 18 - 25:

- ☑ On Friday (November 20) the USDA will release the November 1 Cattle on Feed report. Expectations are that on feed inventories will be 2 to 3 per cent higher than year ago levels. With the futures market extremely sensitive recently any deviation from the expected numbers will likely invoke a strong overreaction in the market.
- ☑ Winter has arrived across much of the Prairies in the last few days and traditionally the first snowfall of the season is followed by a flush of feeder cattle marketings. Keep an eye on the strength of the market, or lack thereof, if this predicted increased in volume hits in the coming week.

Weekly W. Cdn Fed Steer Price

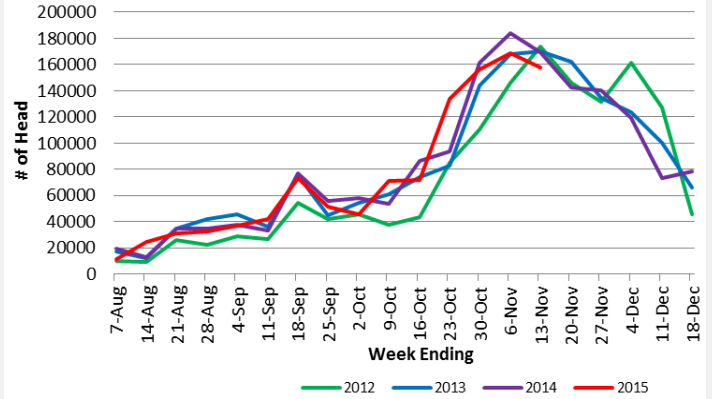


Data source: Canfax

Given the volatility in the futures markets in recent weeks it is not surprising that cash cattle markets have also experienced extreme fluctuations and price shifts. Current cash cattle prices are trading almost \$15 per cwt below year ago levels as prices edge back near the yearly low for 2015. There is some concern moving forward that early marketed grass cattle may weigh on the market earlier than normal adding to the yearling volumes and keeping a steady flow cattle hitting the plants.

Feeder Cattle Marketings

- Western Canada -

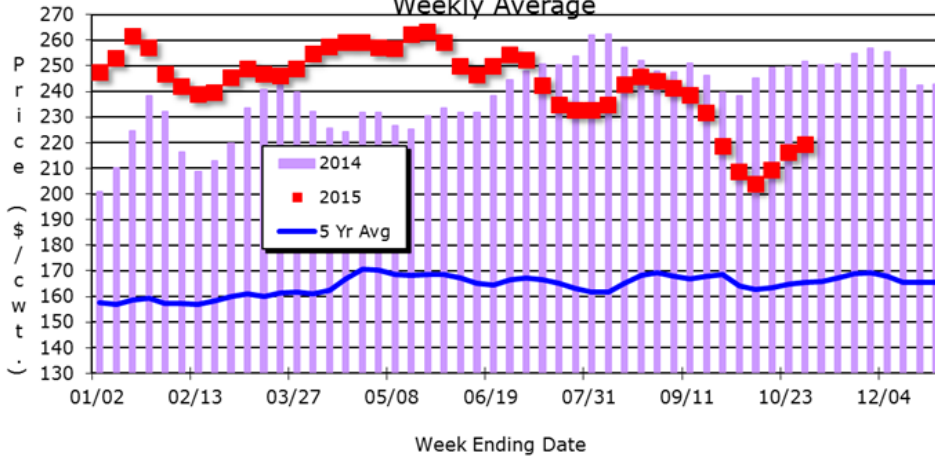


Data source: USDA

The number of feeder cattle on offer last week dipped slightly to just over 157,000 head, down 6 per cent from the previous week. Year to date volumes are currently 2 per cent behind 2014 in Alberta and 10 per cent fewer in Saskatchewan. Some of the volumes to date in Alberta can be attributed to the larger internet/satellite volumes that were marketed in September. With the recent snowfall across much of the prairies we can expect an increase of calves to come to town once conditions improve in the coming week.

Choice Boxed Beef Cutout Values

Weekly Average



Source: USDA

KSU Dept. of Ag Econ
www.agmanager.info

Similarly to the entire cattle complex, boxed beef prices lost considerable ground through September before rebounding somewhat in later October. However even with more aggressive features at the retail level boxed beef prices are once again struggling. That being said, cautious optimism remains for beef purchases during the holiday season.