

THE BOTTOM LINE

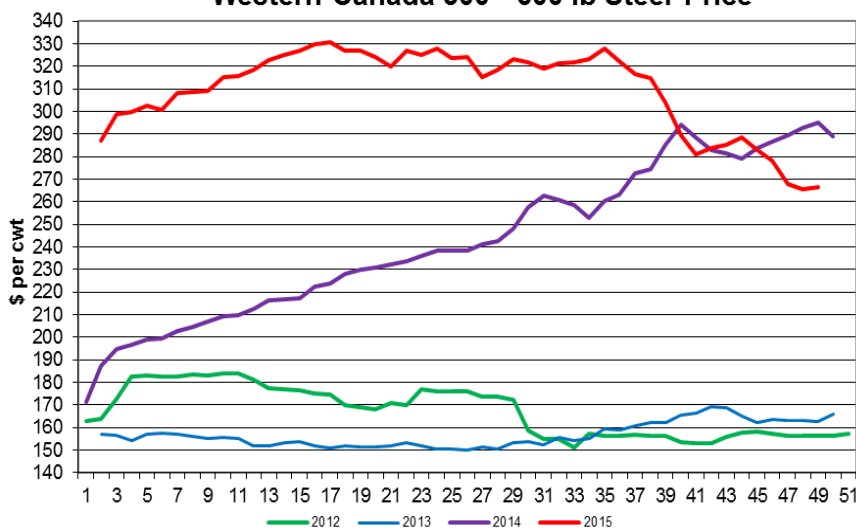
December 9, 2015

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2015 - One for the Record Books!

As we close out 2015 there is no doubt that the year is ending with a much more negative tone than what we have experienced in the cattle markets for much of the past two years. Although markets are not currently benefitting from the emotional buoyancy we experienced last year at this time there is no doubt that when we step back and look at 2015 in the history books it will go down as a banner year.

Western Canada 500 - 600 lb Steer Price



Data source: Canfax

Although the year is not quite complete it is not ending with the same optimism we were feeling at this time last year. However that being said, new all-time record high averages will go into the history books for 2015 on every class of cattle. To date, including the recent collapse in prices, 500 – 600 lb steers have averaged almost \$310 per cwt across Western Canada in 2015. This is 28 per cent higher than the \$243 per cwt average recorded in 2014. Western Canadian fed cattle prices have averaged over \$185 per cwt, almost 20 per cent higher than the \$156 per cwt average of 2014 and D1,2 slaughter cows have also averaged 20 per cent higher at \$135.50 per cwt to date in 2015.

We know the highs are behind us and the trend moving forward will be for weaker markets, that does not diminish the phenomenal price strength captured through much of 2015 in the cattle markets and it warrants a moment to step back and revel in the year that was.

Last Week in Review

Jan Feeder Cattle*	🔴	\$149.60
Dec Live Cattle*	🔴	\$119.25
Dec Corn Futures (\$/bu)*	🟢	\$3.72
Lethbridge Barley (\$/bu)	🟢	\$4.88
Canadian Dollar*	🔴	\$0.7372
West Cdn Auction #s	🔴	90,713 hd
AB Feeder Steers (5-600)	🟢	\$266.30
AB Feeder Steers (7-800)	🔴	\$226.25
West CDN Fed Steers	🔴	\$158.57
US Fed Steers*	🔴	\$123.39
CDN FI Slaughter**	🟢	50,580 hd
D1,2 Cows	🔴	\$101.25
Feeder Exports**	🔴	769 hd
Fed Exports**	🔴	2,876 hd
USDA Choice Cutout*	🔴	\$203.08

*US dollars

** Week ending Nov 28

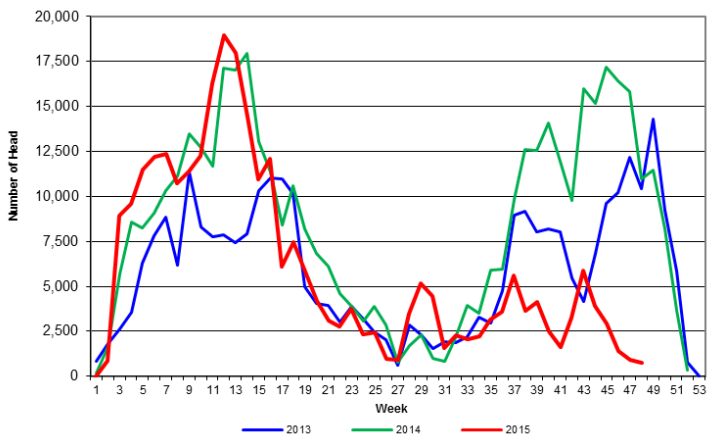


WHAT TO WATCH

The week of December 9 – 16:

- ☑ The cattle board is undeniably the variable to watch for the last couple trading weeks of 2015. Ongoing volatility and limit down trading will keep any hopes of late rally due to year end buying from materializing. At this point it is going to take a shift in overall tone of the market to sustain any shift in the market and this is becoming less and less likely.
- ☑ Weakness in the cattle complex has been driven by mounting concerns over beef demand and the inability of cutout values to sustain any considerable price strength. As we close out 2015 and move into 2016 beef movement will have to improve to see a positive shift across the cattle complex.

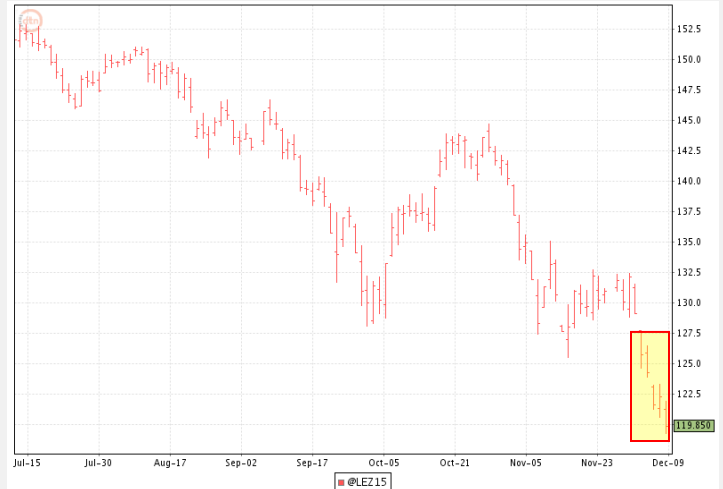
Weekly Feeder Cattle Exports to the US



Data source: USDA, APHIS

Feeder cattle exports to the US have dropped sharply in the past several weeks and weekly volumes are now well below traditional levels for this time of year. To date in 2015 just under 285,000 head of feeder cattle have moved south of the border. This is 32 per cent lower than the 418,000 head during the same period in 2014. Even with the weaker Canadian currency increased volatility has led to an even more drastic price correction in US feeder markets which had resulted in fewer US buyers looking north.

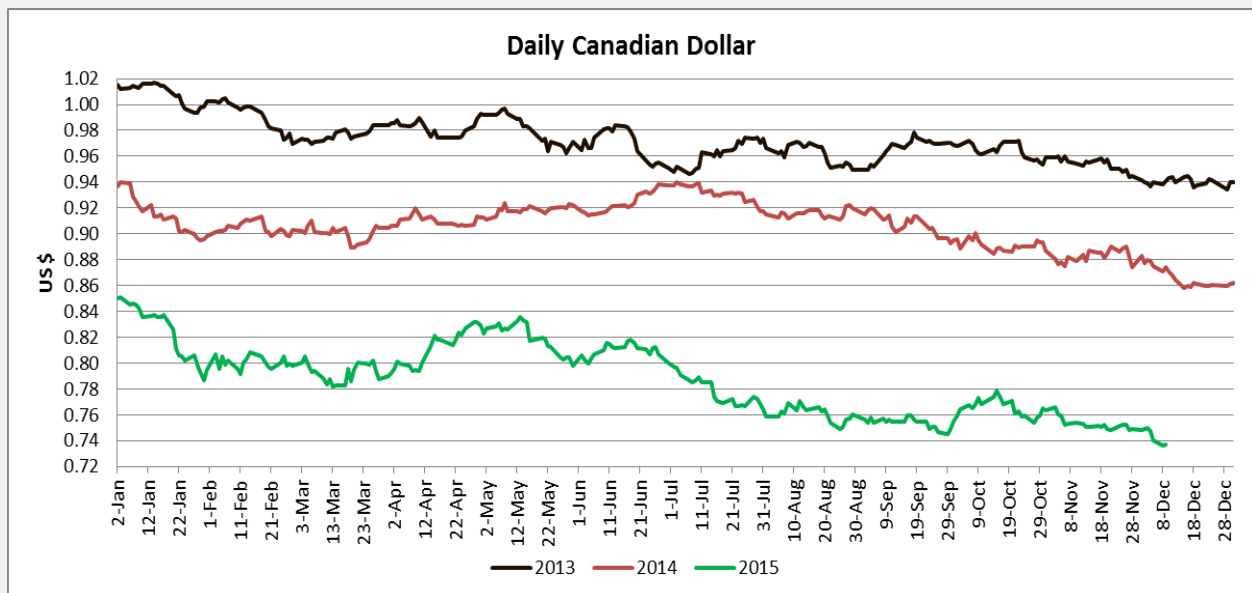
December Live Cattle



Data source: Cmfax

It's been another ugly week for cattle contracts as the market as triple digit losses were experienced all but one of the five trading days. The December live cattle contract has dropped over 7 per cent in this week alone. New contract lows have been recorded as struggling cutout values and concerns over a lack of beef demand have been the focus of traders. This rough trading week is going to push cash cattle prices even lower the question is just by how much.

Daily Canadian Dollar



Data source: Bank of Canada

After trading near US\$0.75 for most of November the Canadian dollar dropped below US\$0.74 and its lowest levels in eleven years following a sharp decline in oil prices in the past week. On a positive note there is no doubt the weaker loonie has cushioned the Canadian cattle market from experiencing as severe a decline in cattle markets as those felt south of the border.



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