



# Weekly Market Outlook and Analysis

Canada's Source for Cattle Market Information

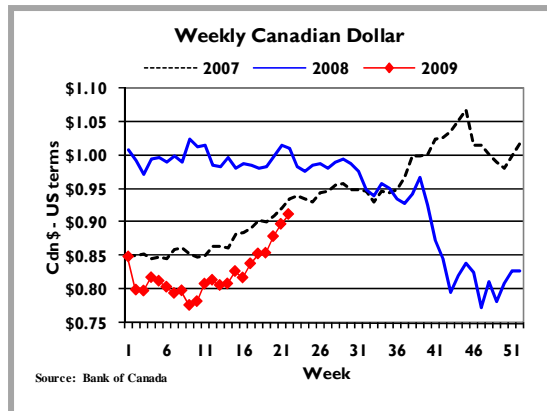
Volume XXXIX ISSN 1201-382X

Issue: 22 June 5, 2009

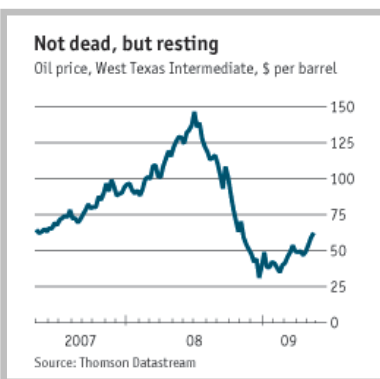
## On The Move ...

The dollar is on the move, having gained 10 cents since late April. It should be remembered that the strength in the U.S. dollar in the latter half of 2008 was not due to strength in the US economy but investors moving out of currencies with a history of inflation and instability and moving into US markets as the global economy weakened. In efforts to reinvigorate the economy, the U.S. has been printing unheard amounts of money. As this money starts to move into circulation, the U.S. dollar has seen continued devaluation and rising concerns about their budget deficit. This has resulted in investors now shifting away from the U.S. market, looking at countries with currencies likely to strengthen including Norway and Canada.

Therefore the recent increase is reflective of investor flight from the US dollar. Expectations of growing commodity demand as confidence is regained in the global economy has also supported the Canadian dollar. Of note, other commodity sensitive currencies like New Zealand, Australia and Brazil have seen larger gains than the Canadian dollar and are considered over-stretched.



So what is the expectation for commodities? In the short-term until the global economy has stabilized to a point where growth is again in a position to support Canadian commodity exports there is potential of the loonie moving lower. Further job losses in May were announced this morning bringing unemployment to an 11 year high are expected to weight on the loonie today. A short corrective may occur before the loony gains again.



Moving into the second half of 2009 oil prices are anticipated to spike again, it is just a matter of time. Oil production has been decreased world-wide and while the developed nations demand continues to struggle, developing nations like China, India and Brazil are expected to have modestly positive growth in 2009 supporting oil consumption. Production has been decreased and investment in oil production has declined significantly in 2009 and will have supply implications for years to come. The volatility in prices has made big oil firms cautious about large future investments. However, analysts expect demand to once again surpass supply as the world economy recovers, despite

current large inventories and spare capacity. How quickly production can be increased will be crucial. While Saudi Arabia has 4.5 m billion gallons a day of capacity currently being unused, how quickly it could be up and running and if it would be enough is the question.

Commodity markets continue to be volatile in the face of uncertain production and global demand. Uncertainty in the commodity markets will make for a volatile currency in 2009 making short term forecasts nearly impossible. Looking longer term a par dollar is expected, it is just a matter of time. - Brenna Grant

## Market Briefs

↓	Fed steers	85.82	-3.71
↓	Fed heifers	85.55	-3.65
↓	Feeder steers	---	-1.76
↓	Feeder heifers	---	-0.27
↓	D1/D2 cows	47.46	-3.81
↓	Slaughter bulls	59.22	-1.45
↑	Jul barley	167.20	+11.60
↑	Cdn spot dollar	91.17	+1.47
↓	Jun live cattle	80.02	-1.48
↓	Aug feeder cattle	96.60	-5.22

### CanFax Fed Cattle Averages (\$/cwt)

AB	Steers	Wk ago*	Yr ago*
Live	84.60-86.40		
Rail	142.50-143.85		
Avg	85.82	-3.71	-4.28
Vol	13,763	-30%	-18%
	<u>Heifers</u>		
Live	84.55-86.40		
Rail	142.6-143.85		
Avg	85.55	-3.65	-5.15
Vol	9,900	+27%	+88%
ON	<u>Steers</u>		
Live	88.55-103.37		
Rail	161.00-170.00		
Avg	96.35	-2.87	+7.54
Vol	568	-13%	-46%
	<u>Heifers</u>		
Live	91.26-101.19		
Rail	160.00-169.00		
Avg	96.18	-2.26	+8.48
Vol	555	-9%	-20%
SK	<u>Steers</u>		
Live	86.50-87.30	-4.10	-0.10
Rail	141.00-142.00		
	<u>Heifers</u>		
Live	n/a	n/a	n/a
Rail	141.75		
MB	<u>Steers</u>		
Live	80.00-85.00	n/c	+2.00
	<u>Heifers</u>		
Live	79.00-83.50	-0.25	+1.50

\* Change from

### Quote of the Week

"Boys are beyond the range of anyone's sure understanding, at least when they are between the ages of 18 months and 90 years."

James Thurber

## Fed Cattle

### Western Canada - Commentary and Outlook

For week ending June 5 – With a weakening U.S. dollar and stronger oil prices further strengthening the Canadian dollar, our basis has strengthened and found very little interest from US buyers to buy fat cattle. Locally packers have lowered prices but have done a good job buying the inventory on offer. With so much uncertainty around the dollar feedlots have opted to sell into these price levels and keep current instead of getting themselves into a position where they need to sell moving forward. Bids did open lower on Wednesday morning and were met with some resistance. By the afternoon most bids were in the range of 85.00-86.00 and found support. The showlist was smaller this week, with grid, contract and packer owned cattle still making up a larger portion than cash offering. The showlist was cleaned up for the week. Fed cattle prices for the week were lower with fed steers averaging \$85.82/cwt, down \$3.70/cwt and fed heifers averaging \$85.55/cwt, down \$3.65/cwt. The Alberta fed cash to cash basis strengthened to -4.94 compared to -5.09 last week, due to the higher Canadian dollar and softer Nebraska fed price. Fed cattle exports to various US destinations for the week ending May 30 totaled 5,930 head compared to 7,041 head the previous week. Alberta steer slaughter for the week ending May 30 was 27,655, up 17% from a year ago and heifer slaughter was 11,982 head, steady with last year.

**Outlook:** The showlist is expected to be somewhat larger next week. Fundamentals are pointing to weaker trade throughout the month of June with supplies getting larger and little interest from the US. With beef movement still soft packers will likely continue to operate with hand to mouth inventories. Look for prices to trend sideways to lower next week. - Penny Neville

Fed Cattle Basis	NE Cash <sup>1</sup>	Last wk <sup>2</sup>	Futures	Last wk
Alberta	-4.94	-5.09	-1.95	-1.23
Saskatchewan	-3.86	-3.62	-0.87	0.24
Manitoba	-8.26	-12.12	-5.27	-8.26
Ontario	+5.59	+4.60	+8.58	8.46

<sup>1</sup>Cash basis, current week based on DTN estimates; <sup>2</sup>Last week revised, based on USDA final trade

Projected Prices	Live Cattle	CAN \$	Basis	Alberta
Jun-09	80.02	91.17	-6.66	81.11
Aug-09	81.00	91.22	-12.03	76.76
Oct-09	86.50	91.29	-14.70	80.05
Dec-09	88.32	91.29	-13.84	82.91
Feb-10	90.30	91.35	-14.29	84.56

Based on Thursday's futures and historical 3 year basis levels plus \$2.00/cwt. This table is only meant to represent what current futures prices equate to in Canadian terms. Please use this information at your own risk.

## Non-Fed Cattle

**Slaughter Cows and Bulls:** D1,D2 slaughter cow prices this week dropped below \$50.00/cwt to average \$47.46/cwt. and D3 cows were down \$ 1.84/cwt. Butcher bulls this week averaged 59.22/cwt, down 1.45/cwt. USDA reports that non-fed slaughter exports for the week of May 23 were down 29% compared to the previous week. Next week demand for slaughter cows could soften if auction volumes continue to increase. - Scott McKinnon

Slaughter Cows	West (AB)	AB Avg	East
D1,2 Cows	40.00-56.00	47.46	45.60-54.50
D3 Cows	35.00-52.00	43.52	37.00-45.60
Railgrade	85.00-94.00	-	-

## Canadian Slaughter Statistics

### Federally Inspected Canadian Kill

Source: Canadian Beef Grading Agency

By Quality Grade	30-May-09	YTD	% of Yr Ago
Prime	343	10,689	77%
AAA	19,092	488,445	93%
AA	26,641	460,889	119%
A	2,517	28,195	135%
B	806	13,806	107%
D	3,897	104,789	95%
E	159	3,674	59%
Ungraded	5,013	138,550	71%
<b>Total</b>	<b>58,468</b>	<b>1,249,037</b>	<b>98%</b>

By Sex			
Steers	34,059	581,519	109%
Heifers	15,485	422,737	99%
Cows	8,707	239,695	79%
Bulls	217	5,086	59%
<b>Total</b>	<b>58,468</b>	<b>1,249,037</b>	<b>98%</b>

AB Slaughter	45,912	900,540	102%
ON Slaughter	9,641	218,561	95%

Male Calves	4,417	93,609	97%
Female Calves	331	6,599	94%
<b>Total</b>	<b>4,748</b>	<b>100,208</b>	<b>97%</b>

Total Cattle sold on Carcass Basis 42,378 (72% of Total Kill)

Domestic Meat Production (in million pounds)			
Fed	39.4	808.7	+2%
Non-Fed	6.0	167.8	-22%
Total Beef	45.5	976.5	-3%
Pork	80.9	1,774.7	n/c

### Average Carcass Weights

	Steer	Heifer	Cow	Bull	Total
30-May-09	818	748	671	937	778
24-May-08	822	764	666	987	777
YTD 09	828	774	679	992	782
YTD 08	847	794	684	1,018	792

### Alberta A Grade Mix by %

	Yield 1	Yield 2	Yield 3	Total
Prime	0.2%	0.4%	0.2%	0.8%
AAA	17.4%	15.2%	5.7%	38.3%
AA	41.1%	12.5%	2.3%	56.0%
A	4.7%	0.2%	0.0%	4.9%
Total	63.4%	28.3%	8.3%	100.0%

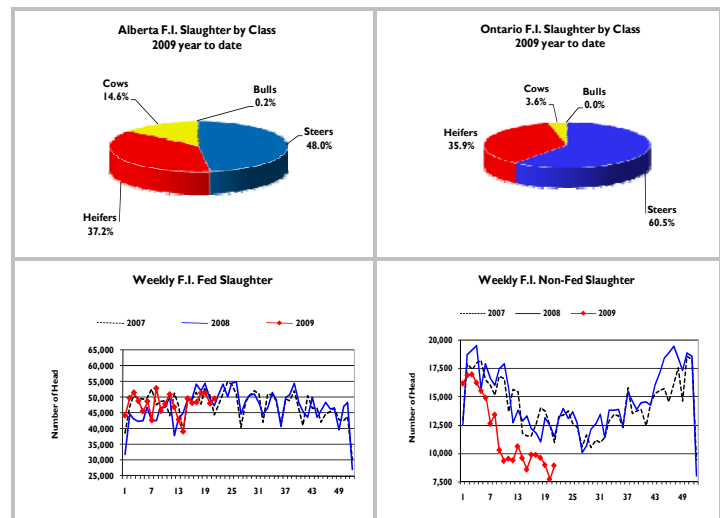
### Female to Male Disposal Rates

(Cumulative January to March 2009)

This Year: 1.34:1 Year Ago: 1.43:1

### Estimated By-Product Values/Credits

	This Week	Last Week	Year Ago
East	49	49	80
West	57-80	62-85	87-132



**British Columbia** - Volume 1,348 (YTD 35,863 +22%)

		Range	Avg	WA*	YA*
Steers	3-400	-	-	-	-
	4-500	116 - 128	122.35	+6	+11
	5-600	105 - 126	114.75	n/c	+6
	6-700	102 - 119	112.09	n/c	+9
	7-800	98 - 116	106.40	-2	+11
	8-900	99 - 112	105.50	+2	+20
	900+	-	-	-	-
Heifers	3-400	-	-	-	-
	4-500	-	-	-	-
	5-600	100 - 115	107.50	-4	+16
	6-700	98 - 109	103.25	n/c	+15
	7-800	95 - 105	100.00	+1	+17
	800+	90 - 102	96.00	+3	+16

**Alberta** - Volume 27,088 (YTD 761,962 n/c) vol. inc. Internet/Satellite

Steers	3-400	115 - 131	123.63	-1	+15
	4-500	115 - 131	123.28	-2	+13
	5-600	102 - 131	118.75	-3	+10
	6-700	102 - 127	113.91	-3	+8
	7-800	97 - 120	107.39	-1	+6
	8-900	90 - 108	98.80	-2	+5
	900+	88 - 100	93.31	n/c	+4
Heifers	3-400	105 - 122	113.18	+4	+20
	4-500	100 - 120	109.18	-1	+14
	5-600	98 - 115	105.40	-1	+12
	6-700	95 - 112	101.93	-1	+10
	7-800	88 - 106	96.65	-2	+8
	8-900	85 - 100	93.62	-1	+8
	900+	80 - 98	88.13	n/c	+6

**Saskatchewan** - Volume 8,717 (YTD 355,604 +10%)

Steers	3-400	-	-	-	-
	4-500	110 - 130	121.00	-1	+14
	5-600	110 - 128	118.28	+1	-44
	6-700	100 - 123	111.69	-3	+11
	7-800	97 - 114	106.25	+1	+10
	8-900	92 - 105	97.25	-1	+6
	900+	89 - 95	91.88	+2	+6
Heifers	3-400	105 - 117	111.00	+2	+24
	4-500	102 - 113	106.17	-2	+13
	5-600	99 - 116	105.35	n/c	+12
	6-700	92 - 110	100.48	-1	+9
	7-800	90 - 105	96.10	+1	+8
	800+	87 - 95	90.67	-2	+9

**Manitoba** - Volume 3,221 (YTD 128,842 -4%)

Steers	3-400	-	-	-	-
	4-500	105 - 130	116.75	n/c	+10
	5-600	103 - 129	117.25	n/c	+13
	6-700	98 - 117	106.45	-4	+8
	7-800	90 - 114	101.13	-1	+5
	8-900	85 - 100	91.93	-1	n/c
	900+	80 - 92	86.25	-2	-4
Heifers	3-400	-	-	-	-
	4-500	95 - 115	105.15	-6	+12
	5-600	90 - 112	101.20	-6	+9
	6-700	90 - 106	96.65	n/c	+6
	7-800	82 - 97	89.71	-3	+3
	800+	80 - 95	87.50	-2	+4

**Ontario** - Volume 5,050 (YTD 121,410 -2%)

Steers	4-500	109 - 131	121.55	n/c	+18
	5-600	103 - 128	117.61	-3	+18
	6-700	102 - 126	115.23	+1	+16
	7-800	96 - 117	108.33	-2	+16
	8-900	96 - 105	101.26	-5	+12
900+	95 - 101	97.74	-2	+10	
Heifers	3-400	95 - 117	108.16	-2	+21
	4-500	103 - 124	111.97	-3	+23
	5-600	101 - 119	110.21	-5	+21
	6-700	96 - 115	106.17	-3	+19
	7-800	94 - 108	100.74	-1	+18
	800+	89 - 99	94.85	-2	+13

\*Change from week ago, year ago

**Western Canada - Commentary and Outlook**

For the week ending June 5, 2009 – Feeder prices were pressured lower this week with steers down \$1.76/cwt and heifers \$0.27/cwt lower. Feeder prices have trended lower for the past five weeks. Light 300-400 lb steers saw prices \$1.47/cwt lower and 400-500 lb steer prices fell \$2.08. Despite an attractive February 2010 fed market 500-600 lb steers sold \$3.09/cwt lower and mid-range 600-700 lb steers dropped \$2.67/cwt. Seasonal quality is a factor but demand for all weights of grass cattle is drying up along with pasture conditions. Prices for 700-900 lb steers were down \$1.45-1.85/cwt, while steers over 900 lbs held ground with prices up \$0.28/cwt. This week the bottom of the 300-400 lb heifer range realigned and prices were up \$4.18/cwt, while 400-600 lb heifers saw prices \$0.56-0.73/cwt lower. Heifers from 600-800 lbs were generally \$1.42-1.89/cwt lower. The over 900 lb heifers trended with the male contemporaries and held mostly steady. Auction volumes were 27,088 head this week, increasing 36% compared to last week. Over the past two weeks there has been a significant 70% increase in auction volumes. Poor pasture conditions are forcing cattle to town and the majority are replacement heifers, cows and pairs. YTD sale volumes are at 761,962 head, which is mostly steady to last year. USDA reported that 3,984 feeder cattle were exported to the US for the week ending May 23, 2% higher than the previous week and 63% lower than last year. YTD feeder cattle exports of 189,148 head are down 38% from the same period last year.

**Demand for grass cattle is drying up along with pasture conditions**

**Outlook:** Forage, not feeder supply, is currently directing prices and the feed we don't have and the feed we might not have later will continue to pressure prices lower. If maintenance moisture does not occur by the middle of the month large volumes of grass cattle could start coming back to the market. Prices are expected to continue the downward trend into next week. Rain can turn the current situation completely around but it had better happen soon.

**Bred cows and pairs:** Bred cow prices this week were \$131.25/hd lower while bred heifers saw a slight drop of \$7.50/hd. Cow/calf pairs held up fairly well last week but will be faced with significantly lower demand if pastures continue to deteriorate. Producers are not very interested in purchasing more feed and may not even be able to find any. Supply next week is expected to exceed demand resulting in lower prices. If there is no significant precipitation in the next couple of weeks drought reductions will increase. - Scott McKinnon

Bred cows	Bred heifers	Cow/calf pairs
\$700.00-940.00	\$700.00-940.00	\$750.00-1380.00

**Alberta Feeder Steer Basis** – This week's average  
750 lb. +1.43      850 lb. -7.16

**Projected Prices**

	Feeder Cattle	CAN \$	Basis	Alberta
Aug-09	96.60	91.22	-21.17	84.73
Sep-09	96.82	91.22	-21.71	84.43
Oct-09	97.35	91.29	-21.97	84.66
Nov-09	97.50	91.29	-23.50	83.30
Jan-10	96.10	91.35	-23.06	82.14

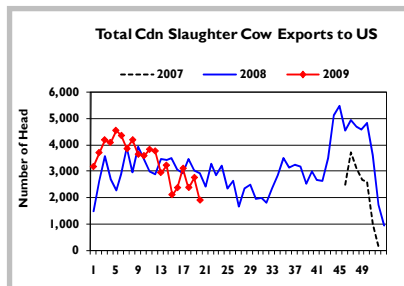
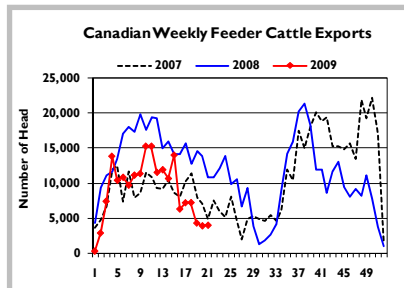
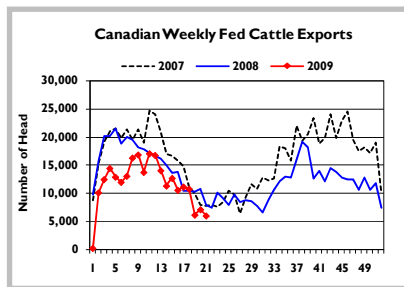
Based on Thursday's futures and historical 3 year basis levels plus \$5.00/cwt. This table is only meant to represent what current futures prices equate to in Canadian terms. Please use this information at your own risk.

**Internet and Satellite Sales**

Thurs May 28 and Fri May 29, 2009 (Volume 2,014)

Region	Wt	Vol	Price	Wt Avg	Del
AB Steer	6-700	144	114.00-116.75	115.49	May
AB Steer	7-800	165	104.50-114.75	109.78	May
AB Steer	8-900	280	99.25-103.00	101.13	May
AB Steer	900+	227	93.00-95.00	93.95	May
AB Heifer	6-700	295	107.00-107.00	107.00	May
AB Heifer	7-800	326	96.75-107.50	103.21	May
AB Heifer	8-900	355	93.75-96.75	94.43	May
SK Steer	900+	130	94.50-94.50	94.50	May
SK Heifer	6-700	92	110.50-110.50	110.50	May

## Live Cattle Exports



According to USDA, live exports to the US during the first half of 2009 are a reflection of the North American economy. Year to date there have been 516,590 head of cattle exported to the US which is 28% lower than last year. Current exports demonstrate the way retail consumers are voting with their protein dollar. Expensive beef cuts are being replaced with grind and pork, while fed cattle exports are contracting, non-fed exports have grown. YTD fed cattle exports are just under 245,000 head and down 24% compared to last year. A large supply of US fed cattle combined with weak North American demand over the first half of 2009 forced US packers to slow beef production. When you add a strong fed cattle basis the result is very little interest in Canadian fed cattle from south of the border. USDA reports YTD feeder exports to the U.S. of 189,148 head,

down 38% from the same period last year. A tight supply of Canadian feeder cattle saw strong domestic demand, but confusion and a lack of confidence in the COOL rule encouraged feeders to remain in Canada. Non-fed slaughter cow and bull exports for 2009 are currently 3% higher than last year and totaled 80,764 head. Retail and food service demand for grind and trim continue to be very strong with fierce competition persisting on both sides of the border. - Scott McKinnon

## Hogs

Price (Index 100 hogs)	This Wk	Last Wk	Yr Ago
Ontario	1.206 (54.70)	1.260	1.412
Alberta (WHE)	1.147 (52.00)	1.238	1.326

### Hog Slaughter

Canada	395,889	339,253	341,964
US	2,100,000	1,804,000	2,108,000

## Canadian Feed Grains

Price FOB - in lots of 100 tonnes or more

	Corn	Barley	Wheat
Edmonton	-	124.00-165.00	163.10-170.00
Lethbridge	-	163.00-171.00	175.00-208.00
Alberta	235.00	-	-
Ontario	192.89	205.00	-

Ontario-Cattle: Corn Ratio 19.7:1 Lethbridge-Cattle: Barley Ratio 23.0:1

Barley conversion - \$ per tonne / 45.93 = \$ per bushel

Western Barley Futures	Jul 09	Oct 09	Dec 09
Close	167.20	179.20	179.20
Change from wk ago	+11.60	+14.60	+18.60

## Live Cattle Exports to US

For week ending May 23, 2009

	East	West	Total	YTD	% of 08
Feeders	571	3,413	3,984	189,148	-38%
Fed	2,251	3,679	5,930	244,483	-24%
Sltr Cows/Bulls	1,360	1,095	2,455	80,764	+3%
Breeding/Other	0	19	19	2,196	-62%
<b>Total</b>	<b>4,182</b>	<b>8,206</b>	<b>12,388</b>	<b>516,591</b>	<b>-28%</b>

Source: USDA/APHIS

## US Statistics

US Meat Prod (mil lbs)	Wk ending Jun 6/09	YTD	% change
Total Red Meat	945.9	20,851.6	-4.0%
Beef	513.4	10,914.5	-4.1%
Pork	427.0	9,808.9	-3.9%

	This Wk	Last Wk	Yr Ago
USDA (Live Sltr Wt)	1,266	1,265	1,261
USDA (Carcass Wt)	769	769	764
USDA Est. Cattle Kill	670,000	625,000	692,000
USDA Carcass Index	129.18	133.06	143.79
Choice Cutout Value	140.32	145.47	156.88
Select Cutout Value	134.92	139.32	153.20
Texas Steers	82.00	84.00	96.00
Nebraska Rail Price	131.50	135.50	150.00
Cdn Dollar (Thurs)	91.17	89.70	101.10
Cdn Prime Int Rate	2.25	2.25	4.75

## Beef Trade

US reported the largest movement of loads in over two years this week, with packers moving excess product. Volume for the week was at 1678 loads, up 45% when compared to last week's short week. Packers likely found more willing buyers for product with cutouts sliding lower again this week. The Choice cutout declined \$5.15 to close at \$140.32, while the Select was down \$4.40, closing at \$134.92. The Choice/Select spread narrowed this Thursday to \$5.40 compared to \$6.15 last week. The Cooperatives Working Together (CWT) dairy culling program may be having some negative effect on trim product, but it looks like increased dairy cow slaughter has been offset by lower beef cow slaughter to keep cow kill at steady levels. It looks like retailers have purchased ahead for Father's Day and consequently movement is expected to be slow next week.

Canadian AAA cutouts for the week ending May 29th were down \$4.52 compared to the previous week, but 6% higher than the same week last year. AA cutouts were \$6.72 lower than last week, but 2% above year ago levels. The Calgary wholesale market for next week's delivery is down \$4.00 to \$166.00, while the Montreal wholesale market is down \$1.00 to \$178.00. The range for by-product values is \$57-80. Moving forward cutout prices are expected to be softer due to the dollar; movement may improve with prices being lower. - Penny Neville

### Boxed Beef Prices

(\$/cwt)	29-May-09	22-May-09	30-May-08
Cutout - AAA	177.80	182.32	167.11
Cutout - AA	166.23	172.95	163.53

(\$/lb)	29-May-09	22-May-09	30-May-08
AAA Lip-on Ribeye, 2x2	6.22	7.32	5.42
AAA Top Butt, 13 up	4.11	4.29	3.98
AA Boneless Chuck, 2 pce	1.23	1.52	1.48
AA Inside Round	1.72	1.75	1.94
AA Striploin 0x1, 13up	6.11	6.44	6.15
50% Fresh Trimmings	0.85	0.85	0.68
85% Fresh Trimmings	1.51	1.48	1.47

Source: Canadian Boxed Beef Report & Canadian Meat Council  
See CanFax website for complete report and summary (www.canfax.ca)

### Boneless Beef Prices (cow trim) - FOB (\$/lb.)

Spot = wk ending Jun 12/09	Domestic - 85%	Aust/N.Z. - 90%	S. Amer.
	1.60	1.50	n/a