



Canfax Enhanced Price Report

Please note cash fed price reporting will remain the same. We encourage all feedlots to report cash trade to the office in a timely manner.

CONTRACT PRICES AND BASIS LEVELS SUMMARY

Committed Date		Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Oct	Average Contract Price	174.60	183.75	178.00	182	186.25	175.00	171.50
Nov	Average Contract Price	175.25	186.75	179.85	183.5	188.00	176.75	174.20
Oct	Average Basis	-4.00	-2.70	-4.55	3.5	-3.55	+2	-1.50
Nov	Average Basis	-3.88	-2.25	-4.40	-3.10	-3.25	+2.67	-1.15
Oct	Volume	1405	1110	1560	750	1000	1404	1575
YTD	Volume	13805	18026	15600	11800	14500	9494	12417

Note: Contract Prices and Basis are reported delivered to the plant and at a 60% dressing percentage

FORMULA PRICES

Weekly Formula Steer Prices

	Weekly Avg Formula Price	Canfax Avg. Steer Price
6-Sep	\$163.25	163.50
13-Sep	\$166.00	163.13
20-Sep	165.80	163.43
27-Sep	\$166.00	161.81
4-Oct	\$164.00	n/a
11-Oct	\$164.55	165.48
18-Oct	165.75	n/a
25-Oct	\$168.00	169.66

Note: Formula prices are reported FOB the Plant - Canfax average cash prices are FOB Feedlot.

Cash and formula prices likely best compared with a one to two week lag. This analysis will be refined as more data becomes available.

Monthly Formula Summary

	STEERS		HEIFERS	
	Price	Volume	Price	Volume
September	\$165.50	11,000	\$164.00	8594
October	\$165.00	24,500	\$166.00	9936

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New Canfax Price Reports

The method of marketing cattle has changed dramatically in the past few years, and continues to adapt as market conditions rapidly change. There are many reasons for these changes as feedlots have opted to do more contracts or formula priced cattle versus marketing fed cattle on the cash market. Contracts help producers to manage their risk, while formula priced cattle reduces the transactional costs of negotiating prices each week. These changes have resulted in an extremely thin cash market in Western Canada and in most regions of North America. The aggressive contracts from domestic packers to secure inventories through the rest of 2014 and into 2015 will continue to keep cash trade at a minimum. The cash market has traditionally been the source of price discovery, and remains the most referenced price series for market analysis and is used extensively in programs, such as price insurance. Canfax continues to collect cash prices, and highly encourages all feedlots selling cash cattle to report their cash sales each week. However, there have been weeks when Canfax has been unable to report an average weekly Alberta fed price, as trade has been too thin to establish a market trend, or the confidentiality requirements to publish prices has not been met.

Price discovery is critical for sending the correct price signal from the consumer to the producer.

- *A market whose participants are starved for information will have much wider price dispersion than one that is information rich. - Ted Schroeder*

Accurate, current, and historical cattle prices are critical to producers and industry.

1. For **producers** making marketing and risk management decisions as well as business planning (Long Term breeding decisions)
2. **Program requirements** for price insurance, income and disaster programs
3. **Policy and regulatory development** requires reliable historical data for strategy development by industry and government (including defending against trade actions)

To enhance market information, and ensure the industry has the most relevant market information for decision making and analysis, Canfax is launching an enhanced price reporting system. This includes both new Formula and base contract prices. The contracts will provide both volumes and prices or basis levels for forward sold fed cattle, by each month the cattle are committed to.

Formula sales will be reported post slaughter, once a final settlement on the cattle is known. These prices will be the price received at the plant, after all discounts and premiums have been accounted for, and will therefore be easily comparable for domestic sales. US formula cattle will also be collected for comparison as well. Formula cattle are cattle sold with a base price that is not specifically known at the time the cattle are committed because the base price comes from other sources, such as the plant average, 5 area average, or another value determining mechanism. US research using data from the Mandatory Price Reporting system shows that the formula prices closely follow the cash market, since the base price is generally linked to the cash market. This new price series will add further depth and robustness to the current cash market information Canfax collects.

Enhanced price information will only be redistributed to producers contributing prices.

Greater market information is beneficial to the entire industry. The western Livestock price insurance program requires additional information, otherwise producers will face the risk of higher premiums or no coverage during certain times if consistent price information is unavailable to create a settlement index. Policy decisions, program development, and defending against COOL require this information to measure the impact each has on the industry. The new enhanced reporting system will add valuable information for these analyses.

More information about the new price collection and reporting system is available by contacting the Canfax office.