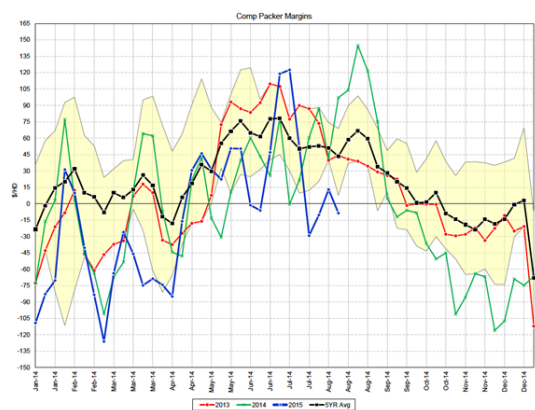
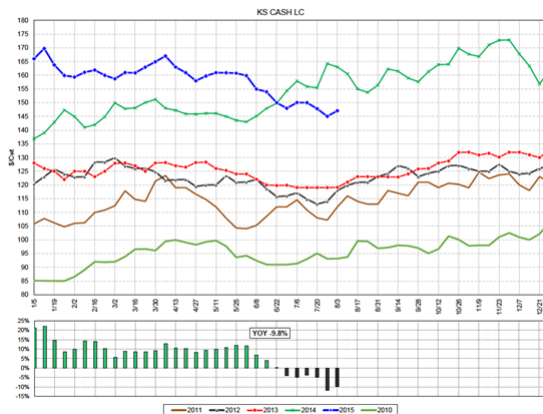




July 2015 Monthly Commentary

July found what appears to be a seasonal bottom in both cash and futures. Beef dropped from \$250 (\$158 live) to \$230 (\$145 live), cash cattle dropped from \$150-\$152 down as low as \$145 mid month but came back up at month end toward \$147-\$149. Basis moved from -\$2 cash under futures to +\$1 cash over futures. October futures started the month at \$153, hitting a low at \$144 late in the month only to rally into month end towards \$147. To start August: cash is \$150, beef is \$232 (\$147 live), and futures are \$149. A global and broad based liquidation of all commodities was seen affecting cattle along with weak cash trade. This selling started at \$148 and it took until \$143 before strong commercial buying took everything they had under \$145. An increased number of new shorts by trend followers were also noted along side the longs getting out. Open interest dropped another 10,000 contracts this past month making it a decline of approximately 80,000 contracts from our peak in May that was 322,000. There has been a big shift in commitments over the past 4 weeks as commercials bought all that the funds had for sale. This is the smallest fund net long and largest fund short within the category that we can remember in years. Everyone (and I mean everyone) is bullish now assuming the summer lows are in and prices will rally into the fall.

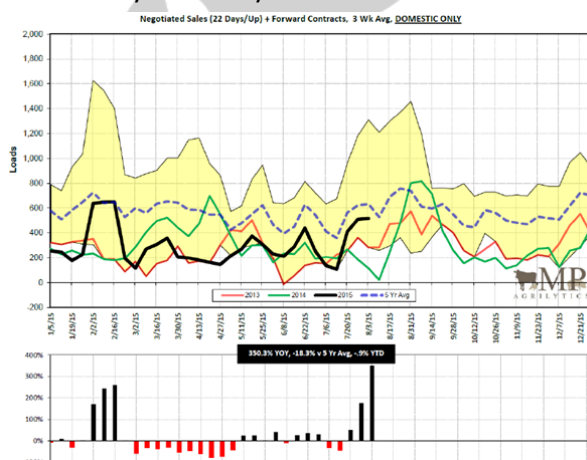


Packer margins took a beating with some haste during the month. This is cause for concern as kill levels are still very low--we need to monitor this. Packer forward contracts are also on the decline into Q4, which says feeders are not yet ready to part with their inventory and/or that inventory is smaller than a year ago. However, one thing we have to keep in mind is there may be less demand during these time frames because the packer has no desire to own them. Certainly this is something we will be digging into over the coming weeks.

Beef prices have done all they are likely to do on the downside at \$230. In most years, stronger holiday demand and seasonally smaller harvest rates strengthen prices from here. Seasonally, prices should rally up to \$240 (\$152 live) into September. However, as small as this summer's harvest rates were, we will need to dive into the data more to determine the degree of this actual decline. This will be the key factor in pricing for the fall supplies. As a result of our recent decline in prices, the retailer's wholesale to retail price spreads are record wide. As an example, strip steaks are off 40% from their highs, which should prompt retailers to feature steak in August and September. You can see this interest in the forward

Beef prices have done all they are likely to do on the downside at

\$230. In most years, stronger holiday demand and seasonally



The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101, Germantown, TN 38138

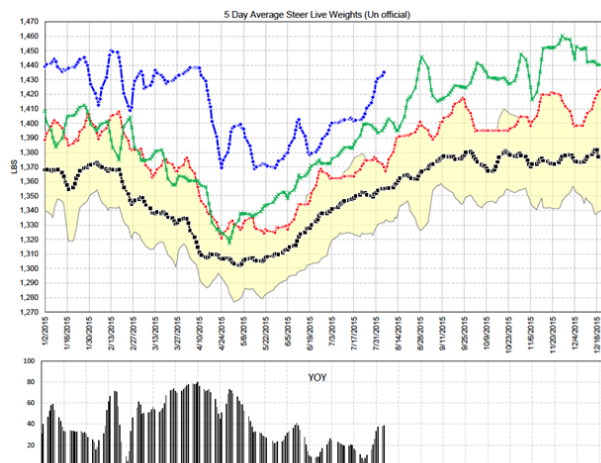
newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406



July 2015 Monthly Commentary

bookings. Beyond this seasonal surge, it is hard to get excited about demand over all especially when looking across the industry at chicken and pork supplies, beef will certainly have its hands full fighting for consumer dollars. In addition, world prices are still much lower than that of the US. While the market usually sees seasonal strength around this time, we have to caution ourselves from getting too wrapped up in the present and make sure we focus on the longer term issues at hand.

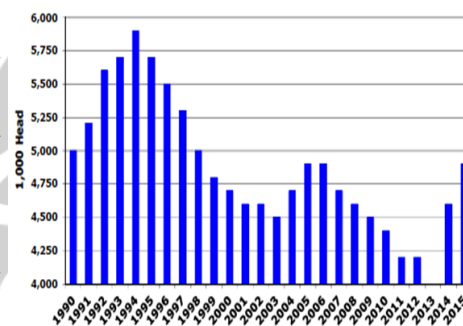
The slump in the drop credit seems to have been fixed. Letters of credit have begun to flow and demand for hides resurrected at the \$60 to \$70 area. No strong recovery is expected as US supplies increase looking forward. Australian harvest rates have peaked and are expected to decline in the coming months. We should not be surprised if we see rates closer to that of 2013 and certainly under 2014 as the liquidation over there has stopped. This may affect the imports of lean into the balance of this year. However, Brazil is still expected to gain access to the US market as we look into 2016, and they might be able to make up for this short fall. In addition, US supplies are increasing and that alone will matter more when we look at Australia killing 165,000 hd a week and the US 575,000 hd a week.



Weights continue to rise as the cost of gain per pound is still cheap and cattle feeders continue to maximize that part of their business. This has muted the impact of the reduction in slaughter so that it does not feel like that much of a reduction in total pounds consumed today. We need to remind ourselves of this when we actually have more cattle available versus a year ago, whenever that day comes to be.

The semi-annual cattle inventory report was released this past month and USDA posted the US herd was roughly 2% bigger than a year ago at this time. Not only did USDA post increases for this current herd size but also revised the past reporting base up. This year is the 2nd consecutive year of significant increases in heifers being developed for breeding purposes. Beef replacement heifers were 7% higher than last year but when you account for the USDA revision they are more like 20% larger than the last known data series prior to this report and its revisions. This sets the stage for further growth in the years ahead. They said we have 400,000 more calves on the ground today and we should expect that number to be revised up as well. This expansion is something we are looking at when considering 2016 and beyond. Markets will feel far more bearish than necessary as we are starting to see increasing cattle on ground coupled with increasing production of competing proteins.

July 1st Beef Cow Replacement Inventory
1990-2014



The key to this math is the expansion rate and desire of cattle feeders to continue or idol their decisions. The idea here is you hold back heifers for breeding for 2 years, then you stop that and hold position. This can act like more

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101, Germantown, TN 38138

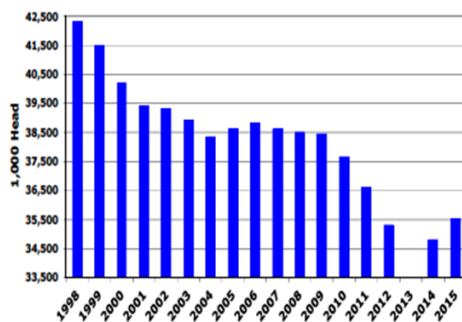
newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406



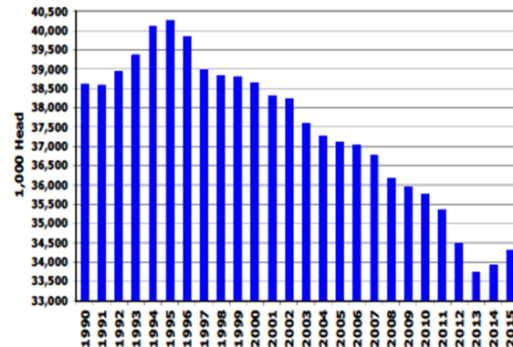
July 2015 Monthly Commentary

cattle merely by the feeder's desire to change from inventory accumulation to that of inventory maintenance. In the past this always takes MUCH MUCH longer than the markets expect and this time is likely to be no different.

*July 1st Inventory of Feeder Cattle
Available Outside of Feedlot
1998-2014*



*US Calf Crop
1990-2014*



Placements are on the rise seasonally into the fall. July placements are expected to post modest gains versus a year ago. Heavy cattle continue to be the trend as the industry moves away from slower inventory turns. Combined with the continued smaller marketing rates, the total Cattle On Feed inventory as of August 1st is expected to grow up towards +3% of a year ago. The decline in placements in May will mean a few less cattle during October and November but December is starting to draw cattle. We need to be mindful that the smaller kills of late could "fill-in" any voids in supply that lie in front of us.

Our returns were muted by our desire to expect the seasonal lows in mid-July vs late July. We expected a seasonal low around \$148 and we found it at \$145. While the market might begin to focus on looking for the fall peak in prices from here we will be watching demand indicators, beef prices, and movement at retail very closely. We are also going to be mindful of negative surprises from USDA reports, outside markets and the competing proteins. We remain bearish to the longer term supply trends but want to respect the market's ability to bounce seasonally coming out of July. We are still looking into spreads vs next spring and summer as well as flat price positions for next summer should the opportunity present.

A great thanks to our friends at MP Agrilytics for the help with the data displayed.

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

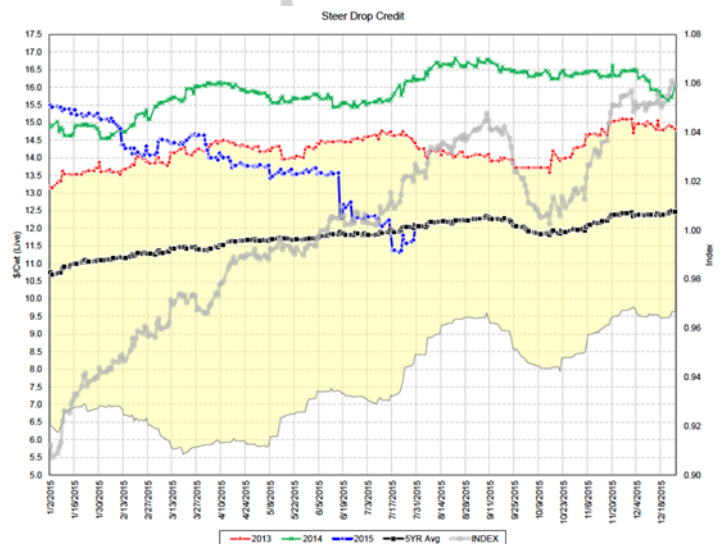
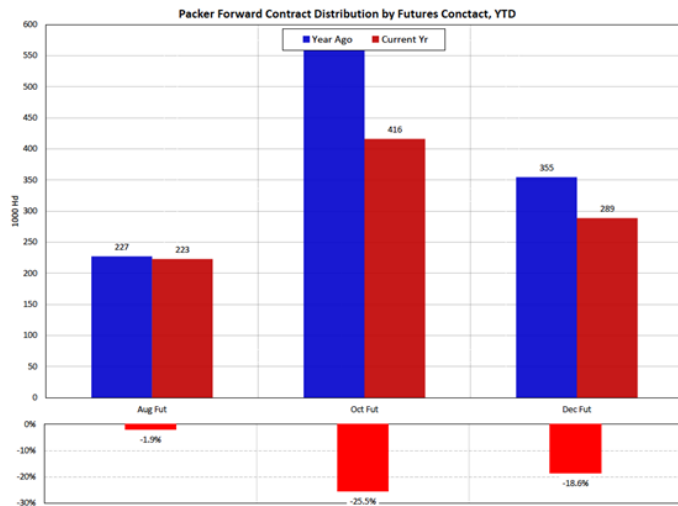
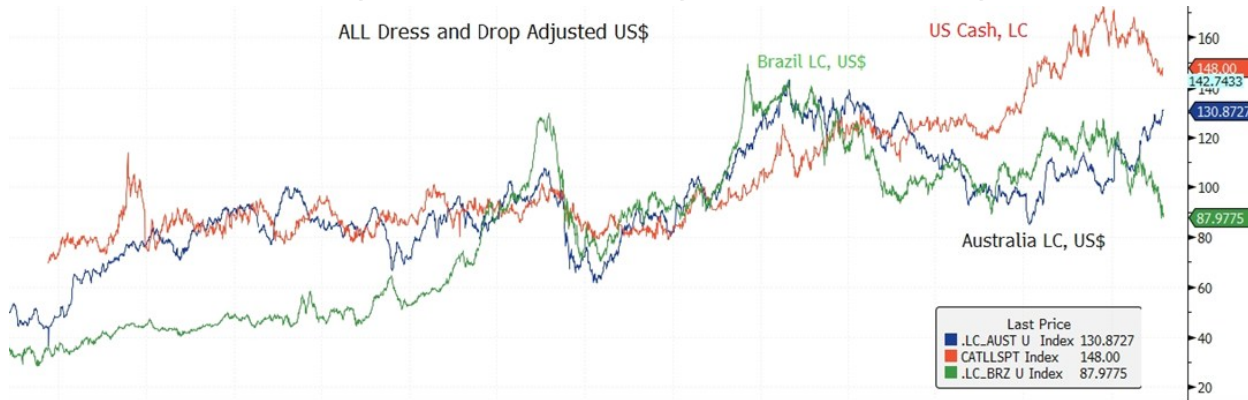
9047 Poplar Avenue, Suite 101, Germantown, TN 38138

newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406



**M & R
Capital
LLC**

July 2015 Monthly Commentary



The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

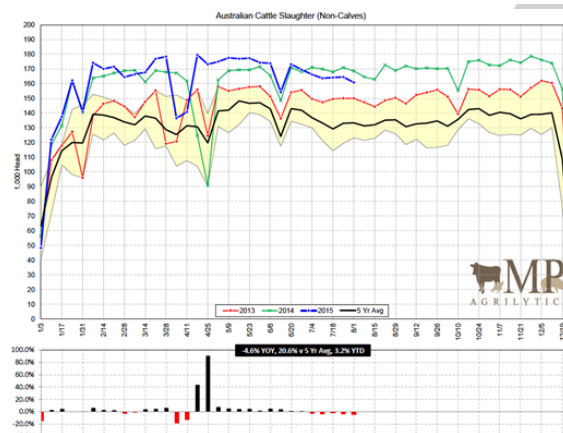
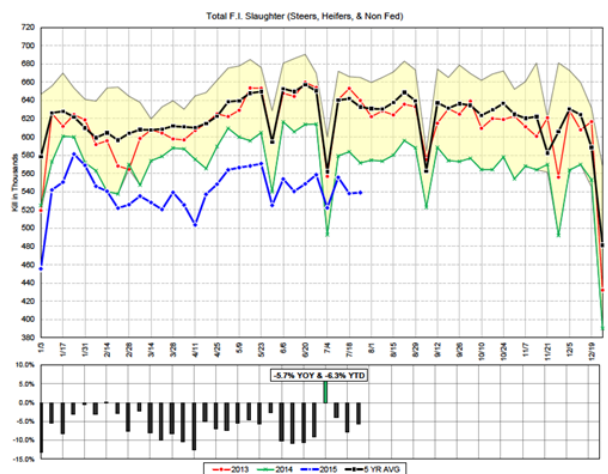
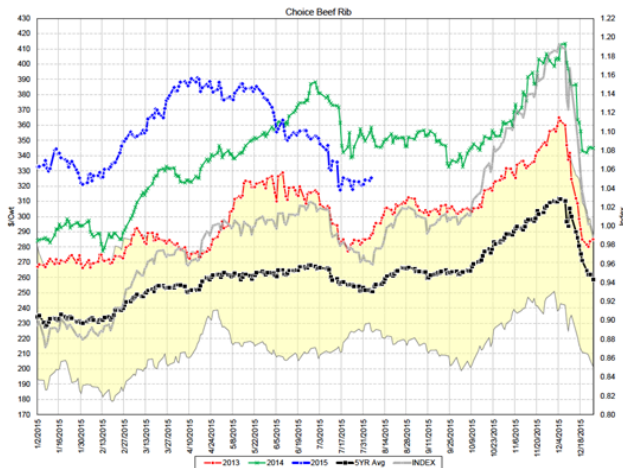
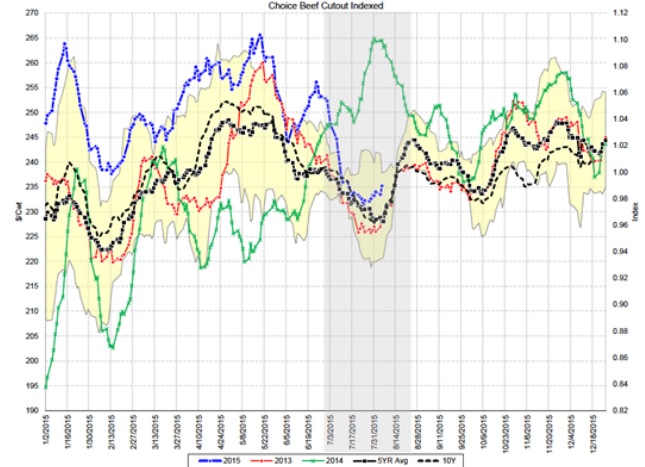
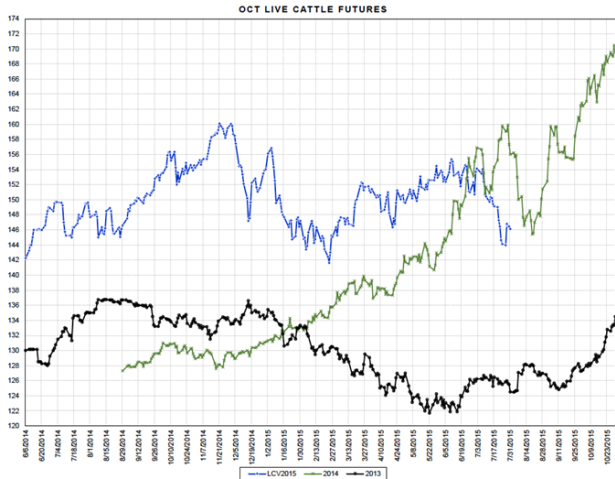
9047 Poplar Avenue, Suite 101, Germantown, TN 38138

newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406



**M & R
Capital
LLC**

July 2015 Monthly Commentary



The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

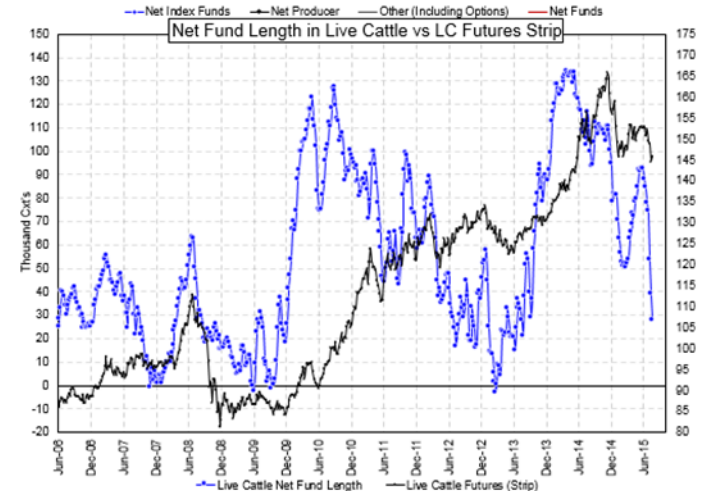
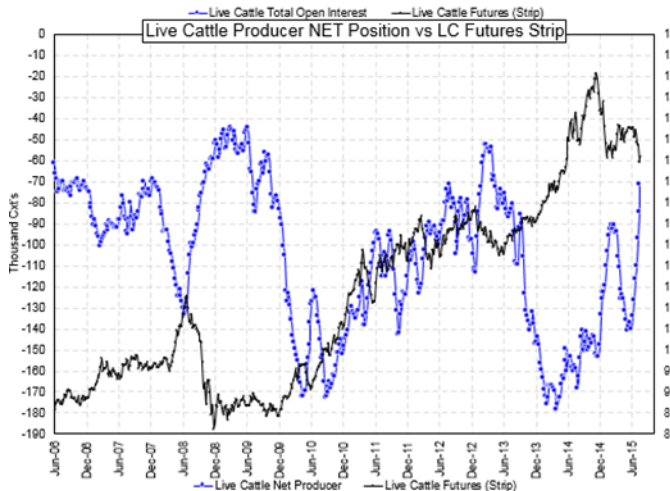
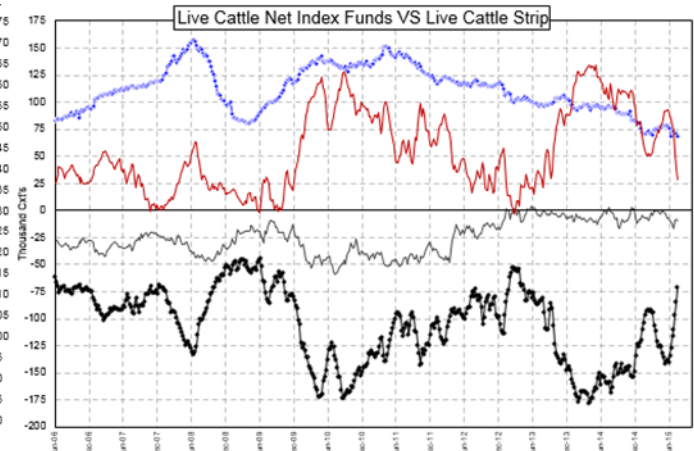
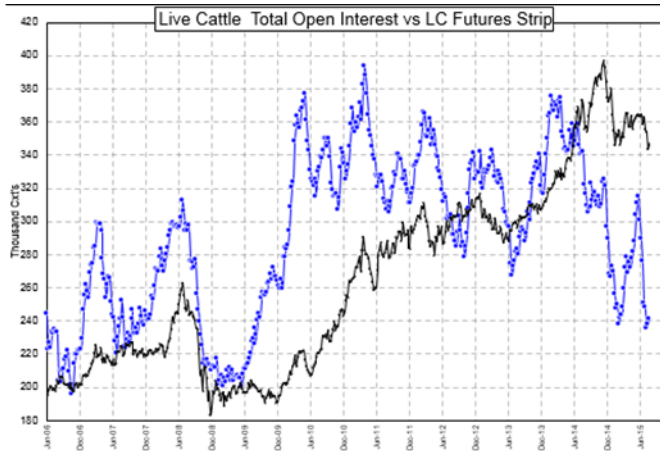
9047 Poplar Avenue, Suite 101, Germantown, TN 38138

newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406



**M & R
Capital
LLC**

July 2015 Monthly Commentary



The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. M & R Capital, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of M & R Capital, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101, Germantown, TN 38138

newaccounts@mnrcapital.us • Tel: 901-766-4446 • Fax: 901-766-4406