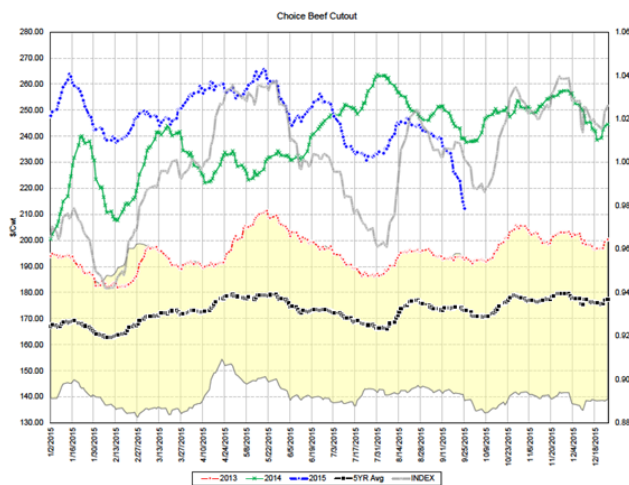
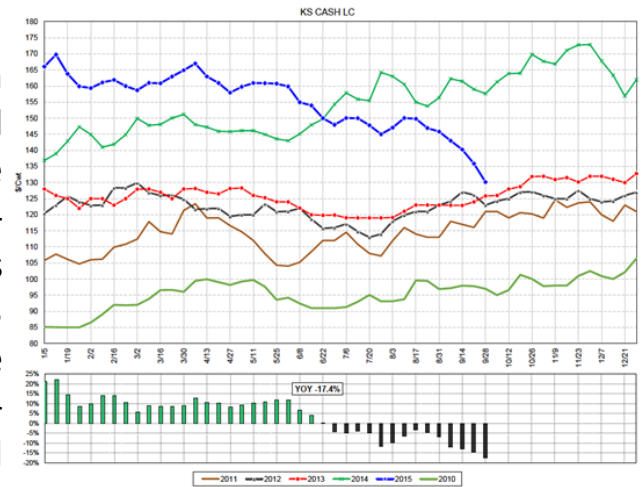


## September 2015 Monthly Commentary

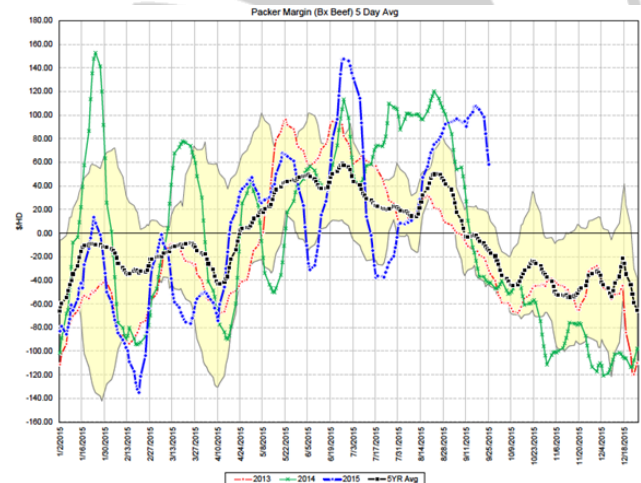
September should prove to show us that cattle prices have officially found a seasonal bottom and mark the beginning of another decline in supply. For the month, live cattle prices dropped \$17 from \$146 to \$129 on average. Prices were seen as low at \$123-\$125 in the regionally challenged areas of the Midwest. Beef prices dropped \$28 from \$238 (\$150 live) to \$210 (\$133 live). As the feeders sell off all these big cattle packers are responding by raising kills and gathering cattle for out front positions. This flush should be the beginning of the end of the buildup in supplies as smaller forward inventories regain control of trade.



Packer margins have been contra-seasonally very profitable for this time. Funds continue to press into more and more short positions every week as prices trade lower on the futures. This action also seems to snow ball around one another, affecting cash trade weakness as well. What is interesting about the recent price action is that the commercial category of the CFTC's commitment of traders report is posting a near record long. Something that has not been seen since

Feb '13 and when prices were \$130.

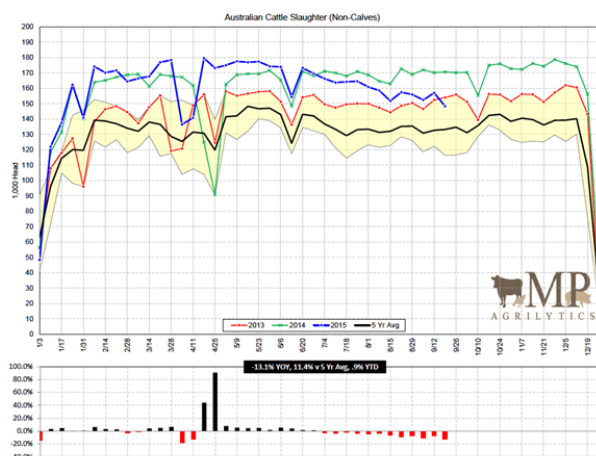
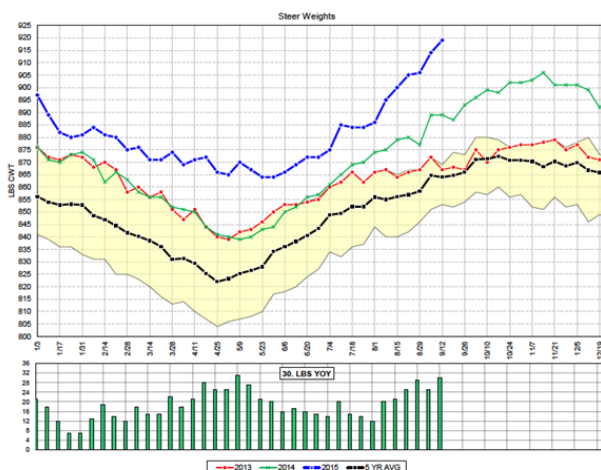
When we look at placement rates we need to be reminded about how wet May and June were in Colorado, northern KS, and throughout Nebraska. This wetness did keep placements down in those months. These cattle will affect the November time period mostly. August placements posted by USDA were -5% and September place-



## September 2015 Monthly Commentary

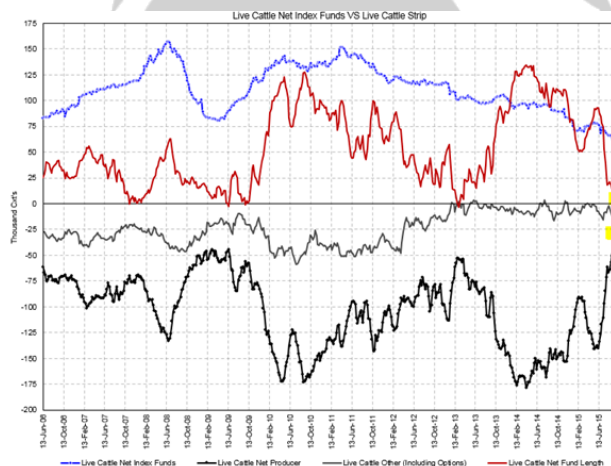
ments seem to be following 2014's record small pace at a steady to -5% rate as well. Weather in the later part of September has been VERY wet in the north and should keep placements low.

Weights are at an all time high at 919 lbs. for steers, +29 pounds year over year. While this has been expected to come true since early this summer, the question moving forward is how long this will affect trade? We should expect to find weights peaking in October and coming down from there as we look into the winter.



Australian harvest rates continue to decline like we have been saying and we don't expect this trend to change. Looking ahead supplies should get tighter and tighter. This decline in supply is expected to affect the needs of the Asian markets, which have come to rely on them over the past two years.

In summary, August and September were our biggest forecasted supplies. We are expecting less supply than we find today to be seen into Q4 and Q1. Australia should continue to reduce their offerings to the world markets and those customers will begin looking for a suitable replacement for those inventory needs. China specifically should be monitored for when they turn to replace this shortfall.





## September 2015 Monthly Commentary

Our returns were challenged this month. We were looking at and did engage this decline in prices. We did so in a very conservative manor in order to manage risk. This proved to help us through this challenging time. However, now that we have found our solid ground we will look to be more aggressive if the market re-engages its negativity as deliveries begin in early October.

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

Regards,  
Scott Shepard



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