



## November 2015 Monthly Commentary

The Cattle market has never seen so much volatility in pricing moves without seeing a shift in the commitment of traders one way or the other. Large players remain steadfast in their positions both from the long as well as the short side. Funds continue to increase their shorts and commercials continue to build an even larger long position. High Frequency Traders continue to race both sides of this equation providing less liquidity for real traders and risk managers. Forward sold beef positions continue to grow to the largest the market has seen in a long time. Placement patterns continue to show less supplies being placed month after month. And now weather has hit the northern parts of the country worse than we have seen in a very long time. Weights have declined this month, most spots of the northern cattle feeding country have actually declined as yard conditions are wet, muddy, and now cold and snowy. This is important for supply because for months we have had par to more cattle vs a year ago with weights that have been much greater than last year. We should begin experiencing fewer supply as well as a greatly reduced weight situation. Most of the bears in the market I believe are forecasting 3% or more increases in beef production as we look forward. As a result of this decline in tonnage beef prices should move higher when we look ahead to April. Risk to this outlook is a ruling against the US Country of Origin Labeling law by the World Trade Organization. If this ruling declares that the law violates NAFTA free trade then Canada and Mexico will be allowed to respond in retaliation with tariffs up to 100% on all US beef and pork coming into their countries from the US. The cattle market has overtly responded to these rumors, when the expectation is that the law will be appealed. We feel that this threat is an empty one by the neighboring countries.

We still believe in the idea that cash cattle prices have found their seasonal bottom in the \$115-\$120 area. Prices are retesting those levels now as futures look to be coming back down to those September lows once again. The market initially moved to these prices as it was in the initial stages of selling off the heavy cattle in the north. Now the market is retesting these same levels but we are three months further along in moving these big cattle through the market. As mentioned before, we now have had terrible weather altering pen conditions. With no further carryover from the summer beyond today's supplies, combined with the lower placement patterns that we have seen for months now, there is no fundamental reason to be below these old lows. The cattle are trading out and there should be no reload behind them to keep weights or supplies at current rates. With that being said, cash is king and we need to see some signs that cash will trade better rather than the weakness we currently see. Recent placements for November look to be closer to down 10% while marketing's should be up 3%. This will put the Total Cattle On Feed supplies as of December 1<sup>st</sup> at roughly 100% which is down 2% from the previous report. As further marketing's are seen into December we anticipate Cattle On Feed to be 99% as of January 1<sup>st</sup>. This is roughly a 4% decline in supply from the peak numbers of this late summer and fall.

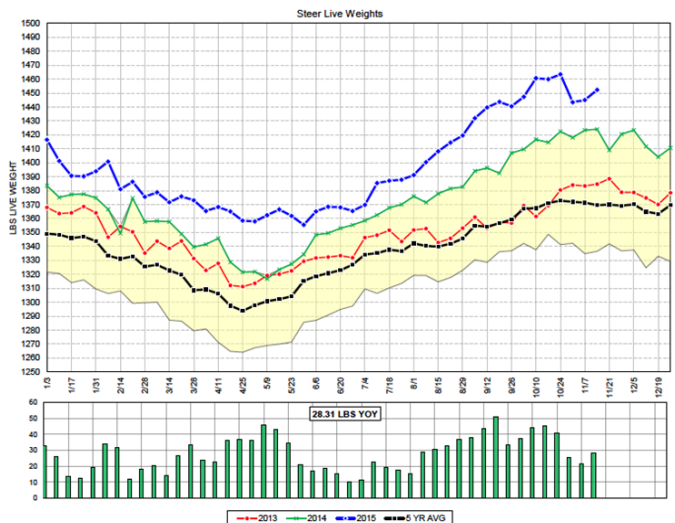
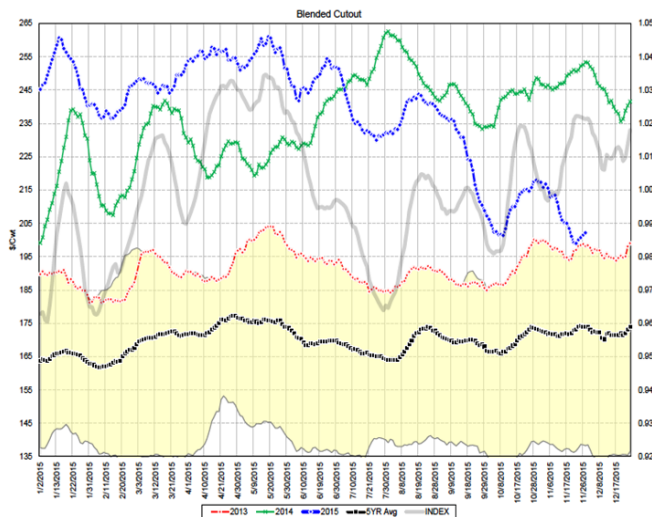
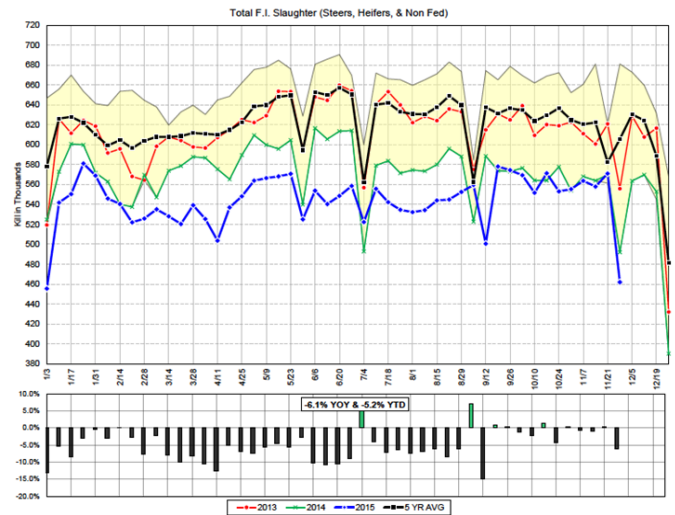
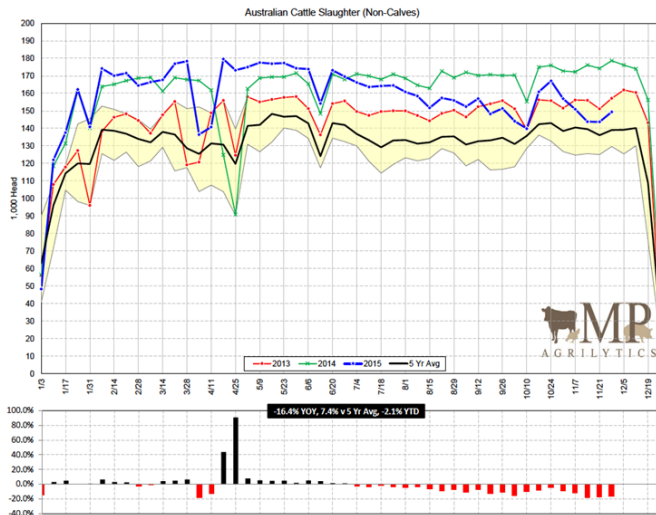
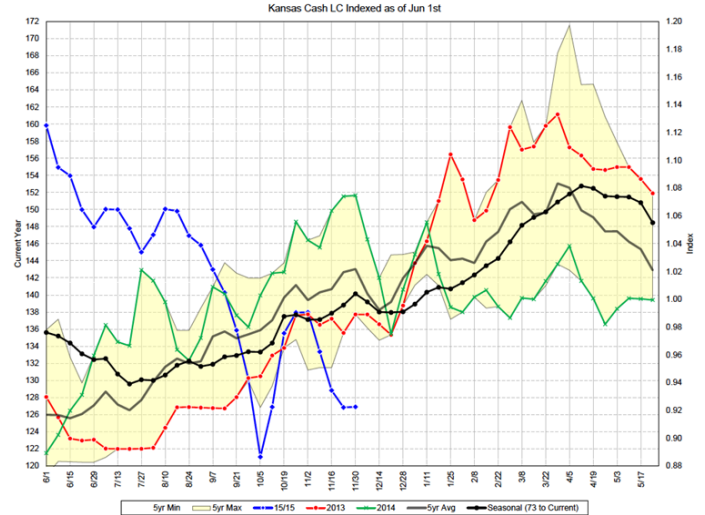
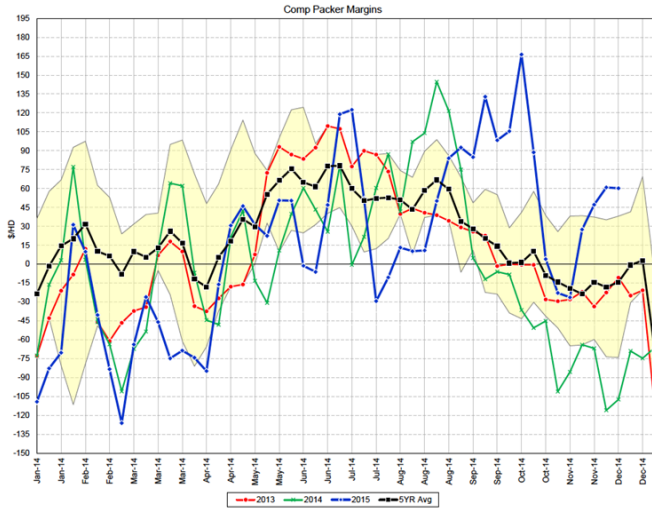
While November was a difficult month, we cautiously remain willing to engage the market as we feel the upside remains tremendous until our data shows otherwise.

Regards,  
Scott Shepard  
12/04/2015



**M & R  
Capital  
LLC**

## November 2015 Monthly Commentary



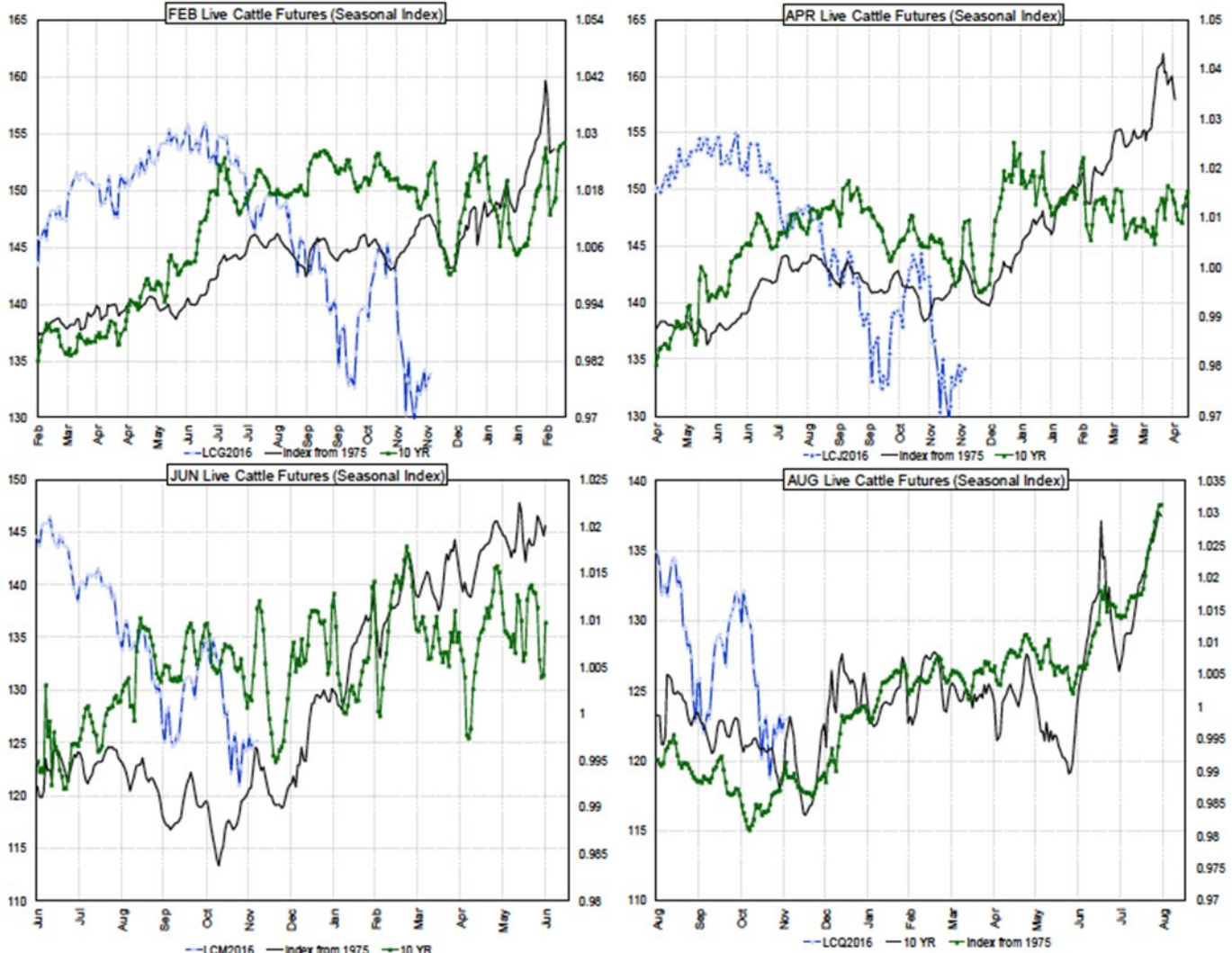
9047 Poplar Avenue, Suite 101, Germantown, TN 38138

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



**M & R  
Capital  
LLC**

## November 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