

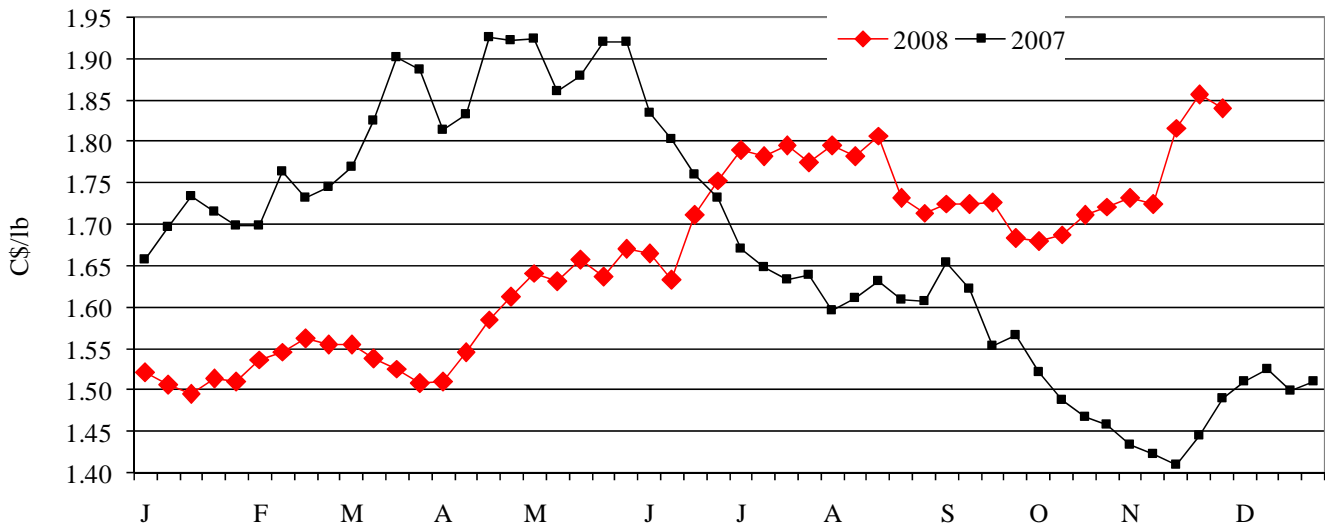


Current Market Situation

Week Ending November 29 US US\$	Last Year	Two Weeks Ago	Last week	Canada C\$/cwt	Last Year	Two Weeks Ago	Last week	Cda-US Differential Last Week
Choice Cutout/cwt	150.65	157.40	153.20	AAA Cutout	148.97	185.66	184.00	-4.46
Select Cutout/cwt	135.61	146.70	142.95	AA Cutout	141.47	179.32	177.00	1.15
Texas Panhandle Steers/cwt	95.10	87.08	89.58	Alta Steers	85.57	93.64	94.97	-15.23
Choice Previous 4 Week Moving Avg/cwt			150.50	AAA Previous 4 Week Moving Avg/cwt				178.25
Select Previous 4 Week Moving Avg/cwt			141.82	AA Previous 4 Week Moving Avg/cwt				174.02
Texas Steer Previous 4 Week Moving Avg/cwt			91.47	Alta Steer Previous 4 Week Moving Avg/cwt				95.66

Canadian AAA Boxed Beef Cutout Values

Source: Canfax FOB Plant



The Market Re-Cap:

US Market: ... lower on light to moderate demand and moderate offerings. Holiday shortened week brought modest depreciation across the board, with the exception of the rib. (USDA, AMS)

Canadian Retail/Foodservice Procurement Activity: Foodservice buyers are staying still. They are worried about putting away inventories in this environment. There is little interest in forward contracting at foodservice. Retail buyers are buying for normal turn business and are confident of availability. No sense of urgency.

Canadian Supplies: Supplies are reasonably clean with just a few items popping up that need a push.

Canadian Pricing: Lower.

- Chucks were lower as buyers backed off and a lack of offshore export support was noted. US pricing also dragged Canadian chucks lower.
- Both AA and AAA ribs were barely steady as packers found themselves with product that needed to move.
- Loins were steady to lower. Canadian loin supplies were reasonably clean. Buyers were willing but only at lower money. US pricing was weaker which gave eastern buyers leverage.
- Hips were in good shape with good demand across the primal. Overall pricing was modestly lower on a lack of US support
- Trimmings were lower in the US while Canadian grinding meat was down across all fat levels.

Beef Market Conditions

Fresh Meat Feature Activity		
Nov 29 - Dec 5	Home Page Meat Item	Main Meat Item Inside
Ontario		
A&P	Pork	mix
IGA	Pork	mix
Loblaws	Chicken	beef, pork
No Frills	Striploin \$4.97	chicken
Sobeys	Chicken	beef
Zehrs	Chicken	beef, pork
Quebec		
IGA	Chicken; Pork	mix
Loblaws	Chicken	beef, chicken
Metro	Blade \$1.79	beef, chicken
West		
Calgary Coop	No Fresh Meat	beef
Overwaitea	Pork; Chicken	beef
Safeway	Striploin \$7.49; Outside Round \$2.99	beef, chicken
Save On Foods	No Fresh Meat	beef, chicken
Sobeys	Pork	beef
Superstore	No Fresh Meat	chicken
Retail Beef Feature Rating Last Week: Poor (Poor, Average, Very Good)		
Retail Meat Business Rating Last Week: Average (Poor, Average, Very Good)		
Food Service Business Rating Last Week: Poor (Poor, Average, Very Good)		

Canadian Fresh Meat Features and Business Traffic Indicator

- Beef finally took a back seat to the other main proteins. For the first time in several weeks beef was not the dominant item in the flyer.
- Canadian retail beef demand was generally good last week as consumers responded well to the features.
- Canadian foodservice demand continues weak with disappointing banquet bookings and menu items geared toward poultry.

Implications: Features are not going to move beef this week.

Competing Meats

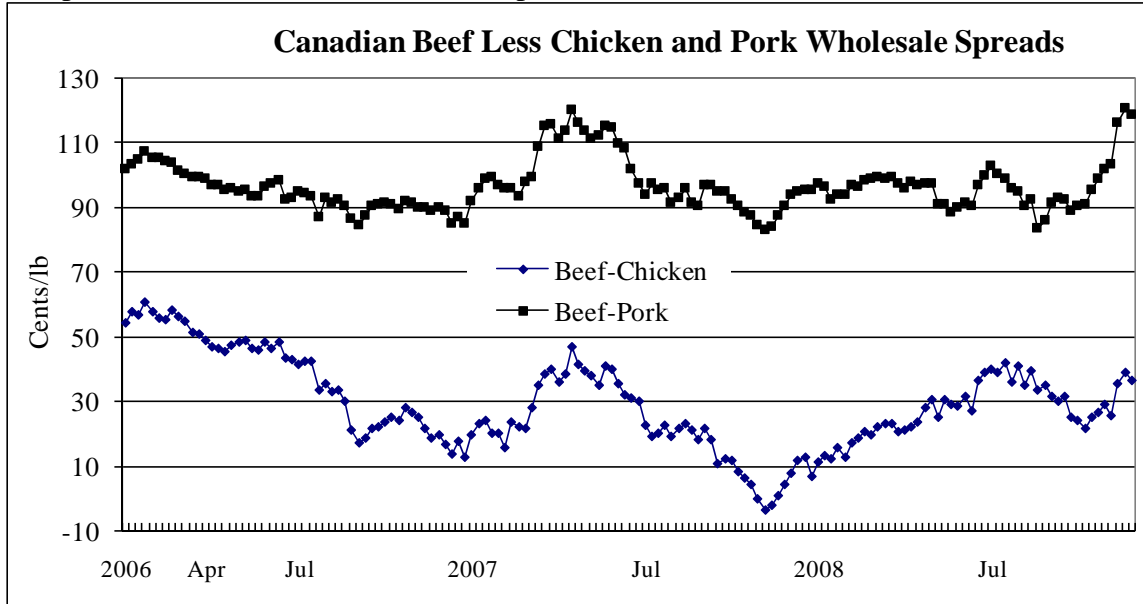
Wholesale Price Trends

The following is a comparison of the wholesale price spread between beef and pork (beef price – pork price) and between beef and chicken (beef price – chicken price).

- Wholesale pork was higher last week.

- The beef-pork wholesale spread is wider than the average of the past five years, meaning that beef is priced higher than the norm compared to pork.
- Wholesale chicken was higher last week.
 - The beef-chicken spread is right around the five year average meaning that beef and chicken close to where they normally relative to each other.

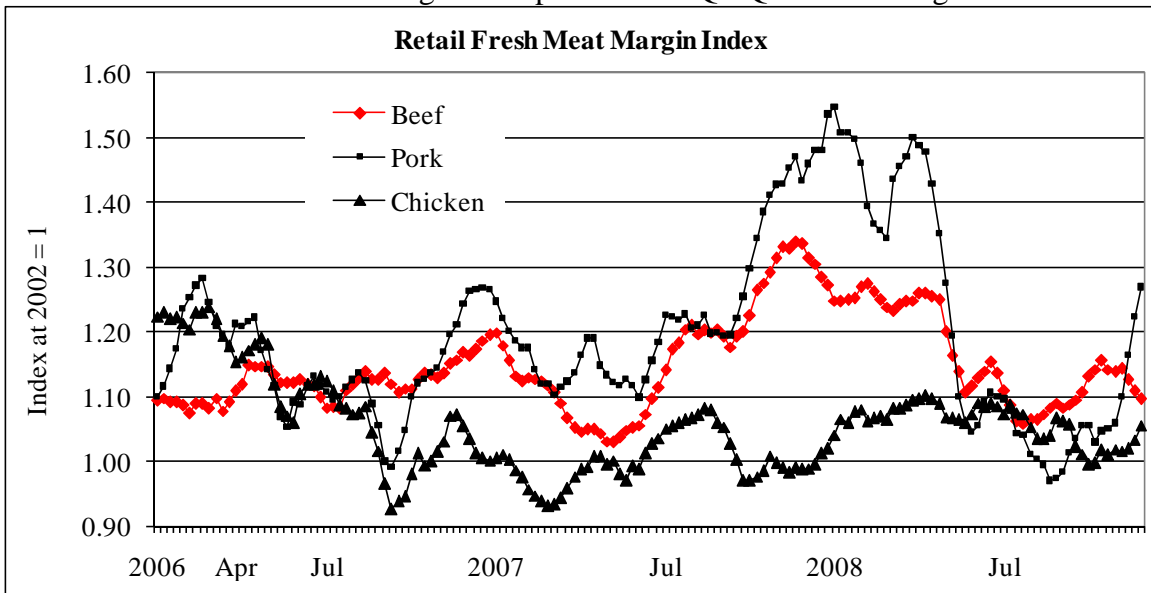
The following graph shows the spread between wholesale beef cutout prices and wholesale chicken and pork cutout prices (wholesale beef – wholesale pork; wholesale beef – wholesale chicken).¹



Implications: There is not much to choose from between beef and chicken but pork is very cheap relative to beef. Retailers are going to be turning their attention to pork.

Retail Fresh Meat Margin Indicator²

The following graph shows weekly indexes of fresh beef, pork and chicken margins at retail. The indexes show the direction of retail margins compared to the Q2-Q4 2002 average.



¹ The graph shows wholesale cutout beef less wholesale chicken and pork cutout prices. Chicken prices are supplied by the Chicken Farmers of Canada. Pork prices are Chisholm Sheet Ontario and beef prices are FOB Alberta by Cdn Meat Council.

² Retail margins are roughly calculated as average retail prices in Ontario divided by wholesale prices in Alberta for beef (Canfax), Canada-wide for chicken (Chicken Farmers of Canada) and Ontario for pork (Chisholm Sheet). These margins are 4-week rolling averages and are arbitrarily indexed to the average margin for 2002. The index provides relative direction, and does not indicate relative magnitude.

- Beef margins at retail are average.
- Chicken margins at retail are average.
- Pork margins at retail are well above average.

Implications: In terms of margin opportunities, pork is offering retailers the best choice.

Beef Packer Margins

- Alberta packer margins were exceptionally strong last week. The much lower cattle cost of the previous week was matched against last week's steady to lower cutout to push net margins well over \$50/head.
- US packers were in the black by about \$40/head.
- Based on the USDA's NATIONAL COMPREHENSIVE BOXED BEEF CUTOUT - ALL FED STEER/HEIFER SALES, December 1, US packer inventories are average for this time of year. Sold ahead position is also average.

Implications: US packers will are not going to rock the boat by trying too hard for cattle. They know demand is tepid. They will leave well enough alone.

Cdn \$

The following is a direct excerpt from "Monthly FX Outlook," November 27, by CIBC World Markets (http://research.cibcwm.com/economic_public/download/fxnov08.pdf)

The loonie is trading at unprecedented daily volatility, with the loonie falling as weak as 1.30 C\$/US\$ and trading as strong as 1.15 during that period. That range, more typical of a few years than a single month, has sent option volatilities soaring to record highs, making hedging anything other than a large move very expensive. While much of the loonie's volatility and weakness can be traced back to the stock market, at least some of the currency's depreciation was due to a sharp deterioration in fundamentals. Canada is weathering recessionary conditions with a flagging export sector and sluggish consumption. The Bank of Canada not only revised its outlook in October, but by November was already citing downside risks to that fresh forecast, pointing to 75 bps of interest rate reductions still to come, more than the Fed has room for. Add to that a global recession that has taken oil, gas and metals prices sharply lower, and it's not difficult to see why the loonie is flying so low these days.

Until global growth and commodities pick up next year, it is difficult to see a quick comeback for the loonie, especially given that the commodity price crash is threatening to end Canada's run of nine consecutive years of current account surpluses, if only temporarily. Improved resource markets should have the current account in the black again by 2010.

Separately, CIBC World Markets is forecasting the first quarter 2009 exchange rate at about 0.82 while the second quarter is expected to be 0.84. The forecast is for a gradual appreciation throughout 2009 to hit about 0.92 at the fourth quarter.

Near Term Outlook (2-3 weeks)

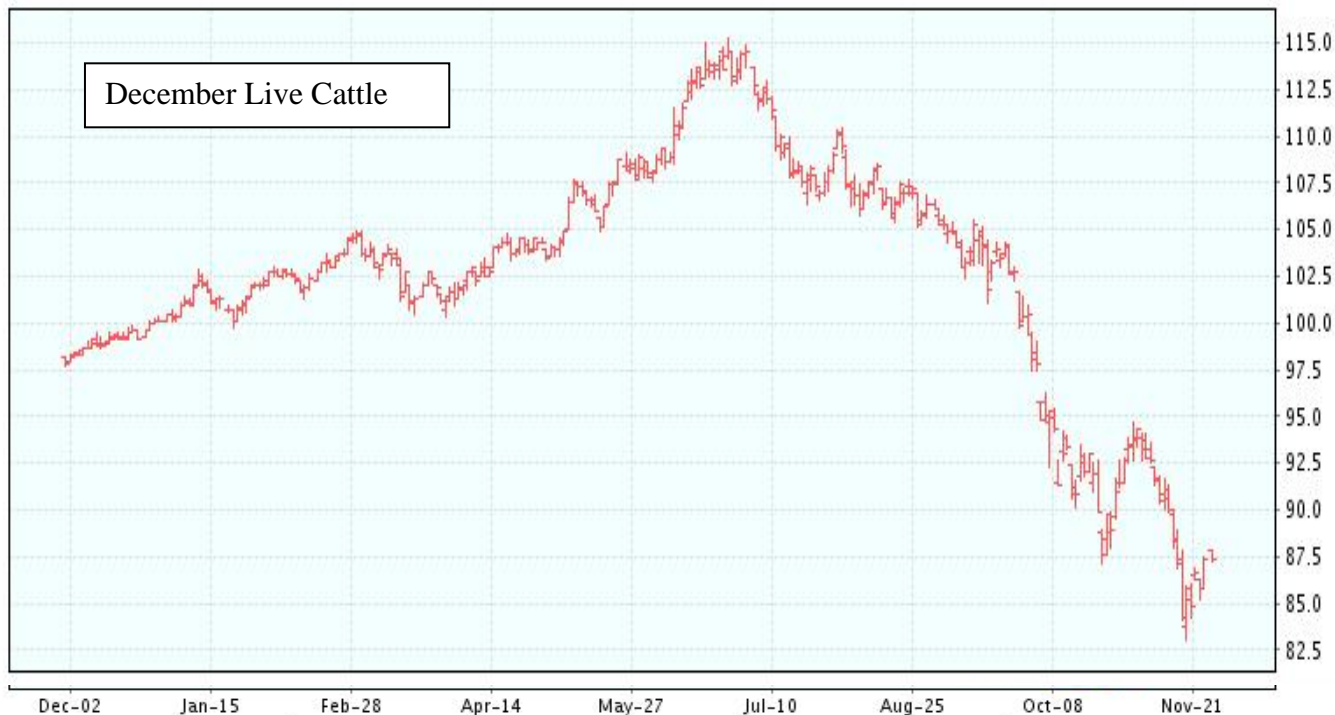
Beef Seasonality

	Nov 28 to 60 Days Out		Seasonal Performance Trend
	Low	High	
Carcass Cutout	early Jan	late Dec	higher
AA Chucks	early Jan	mid Jan	higher
AAA Ribs	early Jan	early Dec	higher
AAA Loins	early Jan	late Dec	higher
Hips	early Dec	mid Jan	higher
50% Trim	late Jan	mid Jan	lower

Implications: Seasonal momentum is still towards higher pricing although the ends often run out of steam at this time of year.

Live Cattle Futures

December futures were \$87.37, up \$2.57 from the previous week. February futures were at \$87.65, up \$2.15. The following is the December Live Cattle chart (source: onlinedtn.com))



Implications: Technical signals are suggesting sideways action. Trendlines have broken out of the downward slide.

Competing Meats Two Week Forecast

- Chicken: steady
 - Chicken demand appears to be good and production is down which should keep the seasonal slide to a minimum.
- Pork: steady to lower
 - Pork might have found a bottom. It usually does at this time of year.

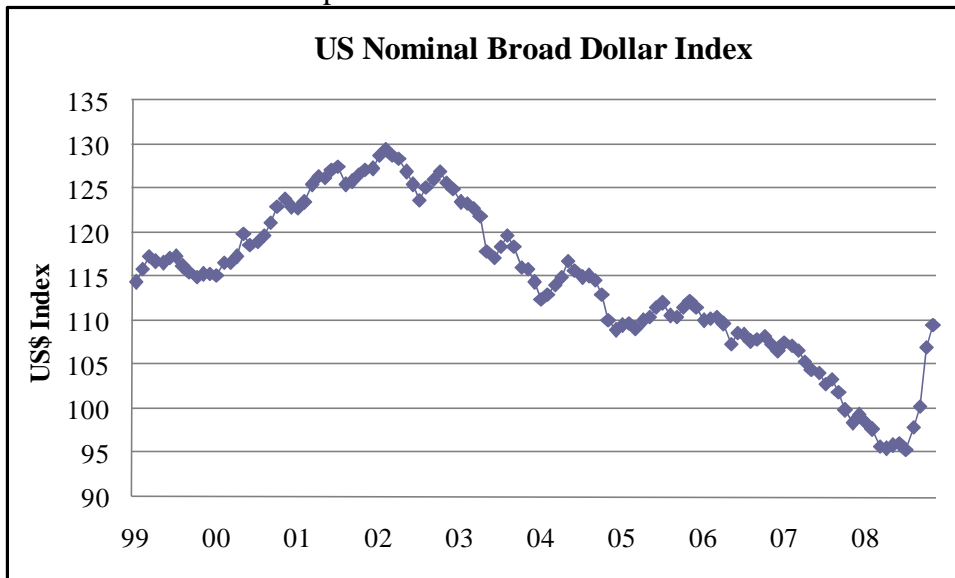
Implications: The hammering that pork has taken is likely over and some stability should slowly start to return.

Commentary

Going into 2009, the most important influences on beef pricing are going to be macro factors that have very little to do with the cattle and beef market. Of course supplies will be important but demand side drivers are going to be in the forefront. To be honest, however, during the past 3-5 years demand has also been in the forefront in terms of driving prices higher than expected. Even though the US has been shut out of many markets due to BSE, soaring world protein demand has lifted all prices. In fact the fact that the US was shut out of markets like Japan may have made prices even higher, given good US domestic demand. Certainly the Australians appeared to enjoy pricing in the far east as a result of zero US and Canadian competition.

In 2009, the question will be how much will the pendulum swing the other way towards reduced world demand. On the positive side, the US and Canada are gradually gaining access to markets that were closed. The negative is obvious, given the liquidity problems with offshore buyers, declining export demand and perhaps most importantly the appreciated US dollar.

Most of the discussion of the US dollar's depreciation over the past five years has centered on the assertion that it helped the US access export markets in increasing volumes. While that might be true, I think the real impact of the depreciation, especially during the past year has been the fact that each unit of exported product was worth more and more US\$. That is export returns were higher and so therefore were meat and livestock prices in the US.



Boxed Beef Outlook for the Next Two Weeks

Beef Market Arguments

Bullish:

- Live cattle futures finally stabilized which should give buyers some confidence.
- US supplies are tightening.
- US packers will keep the chain speed slow to protect margins.
- Seasonal signals are steady to stronger.
- Pork might have hit bottom.
- C\$ weakness will keep imports expensive.

Bearish:

- Pork supplies will be burdensome.
- Export markets appear to be turning weaker.
- Packer demand for cattle is waning which suggests a lack of beef demand.
- Buyers will be turning full attention to Christmas items.

The Market Call for this week: Steady

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