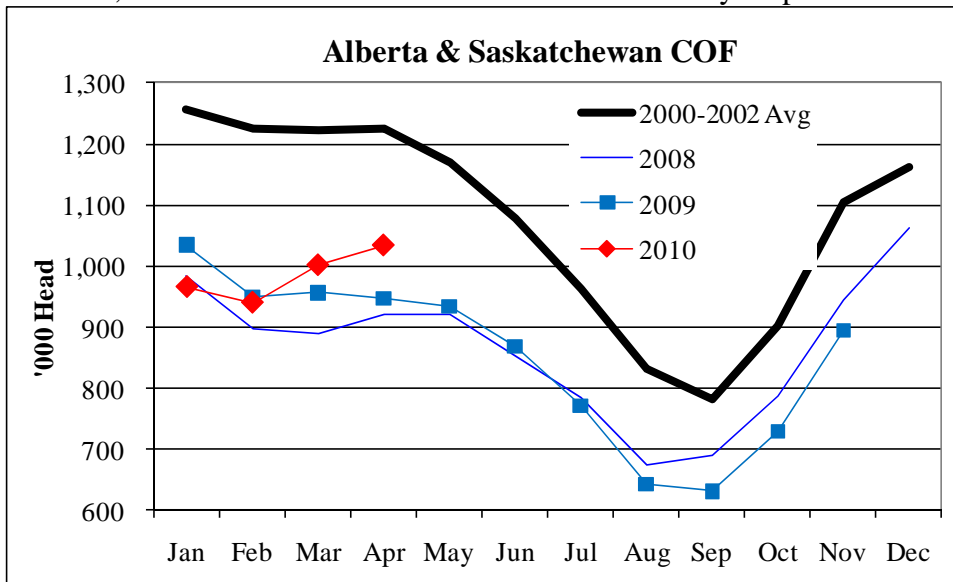


Readers please note that due to travel commitments, this edition of Canadian Cattle Buyer is an abbreviated version. This edition provides a statistical update on the first quarter of 2010 as well as the usual pricing forecasts.

Alberta and Saskatchewan Cattle on Feed

The following graph shows Alberta and Saskatchewan cattle on feed inventories as reported by Canfax for 2008, 2009 and to date for 2010 as well as the three year pre-BSE average.

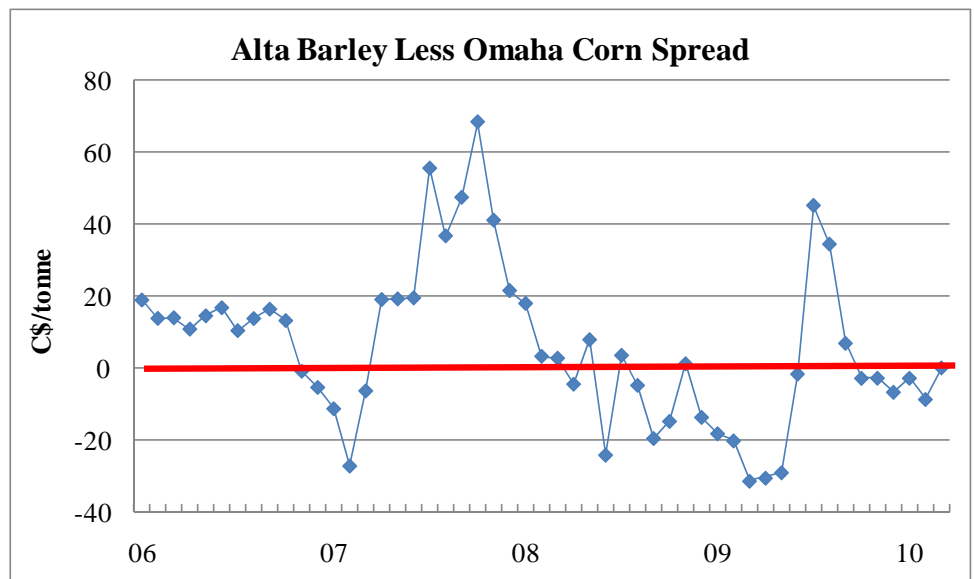


As can be seen, on feed totals have risen to well above year ago levels during March and April, although inventories remain significantly below pre-BSE norms. The jump in inventories is due to huge year over year increases in placements of 16-19% during the first quarter. Somewhat tepid marketing rates in the first quarter also contributed to more cattle in feedyards

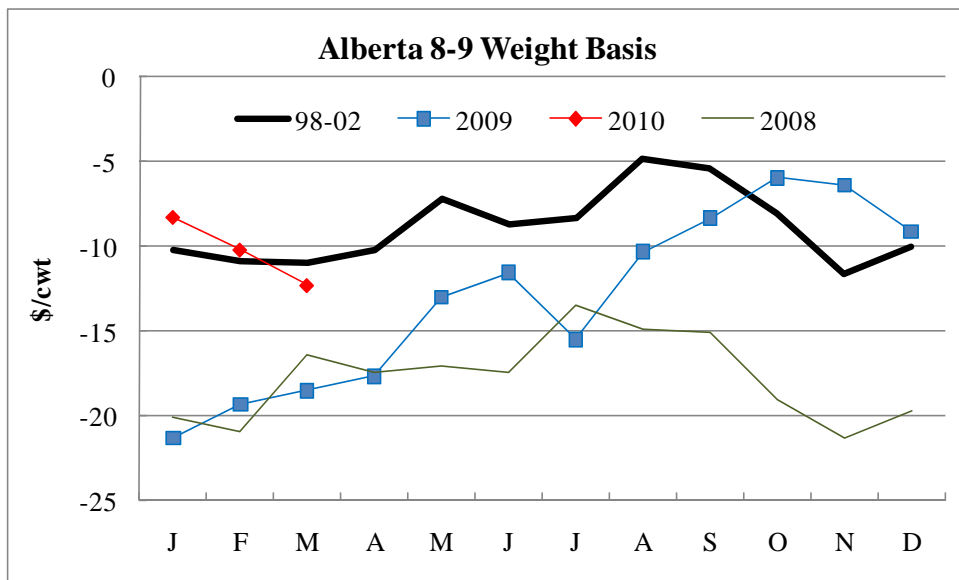
than would otherwise have been the case.

The big increase in placements is reflective of the fact that feeder cattle exports to the US are down by 53% on a year to date basis through mid-April compared to last year. While overall feeder supplies are down this year, a greater share of them are staying on the prairies.

The next graph shows the monthly spread between Alberta barely and Omaha corn on a barley equivalent basis in Canadian dollars per tonne. Often the reason that feeders stay on the prairies is due to relatively lower feed grain pricing. In that regard



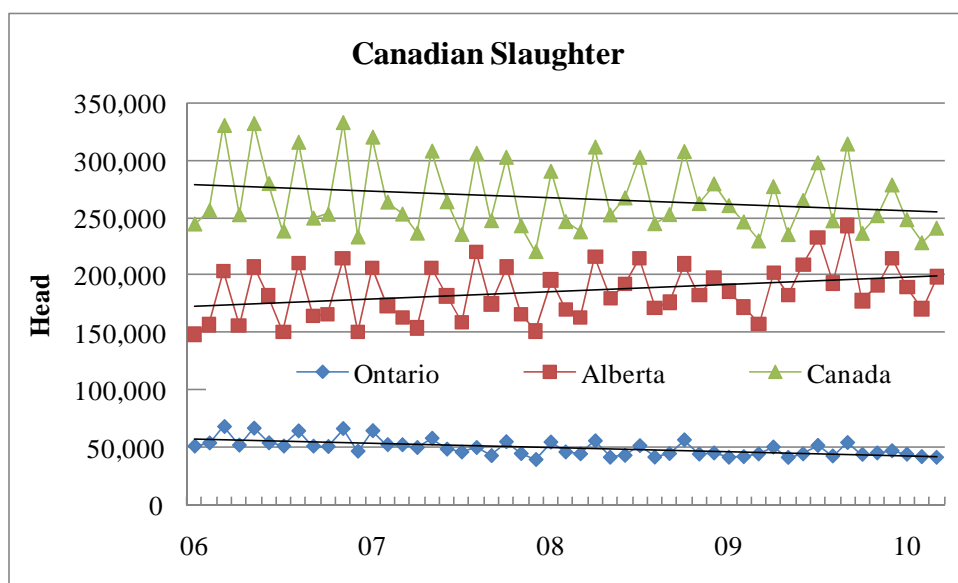
relative grain prices between Alberta and the US are offering mixed signals. Grain prices shot sharply higher in Alberta in mid-2009, due largely to the impact of the drought. That situation eased as the year went on which resulted in more competitive grain prices. Those more competitive price levels would have provided Alberta cattle feeders with the ability to keep more feeders in Alberta feedyards as the year progressed.



Higher on feed totals, decent grain price spreads and reduced feeder exports are also reflected in the higher feeder basis in Alberta. The following graph shows the monthly Alberta 8-9 weight feeder basis for 2008, 2009, 2010 and the pre-BSE five year average. As can be seen, the basis began to seriously narrow in mid 2009 and has managed to stay around the pre-BSE average for the first quarter of 2010. That tighter basis is going

to keep cattle on the prairies. In addition, the fact that Alberta cattle feeders were finally in the black in March and April should be a factor in keeping cattle local.

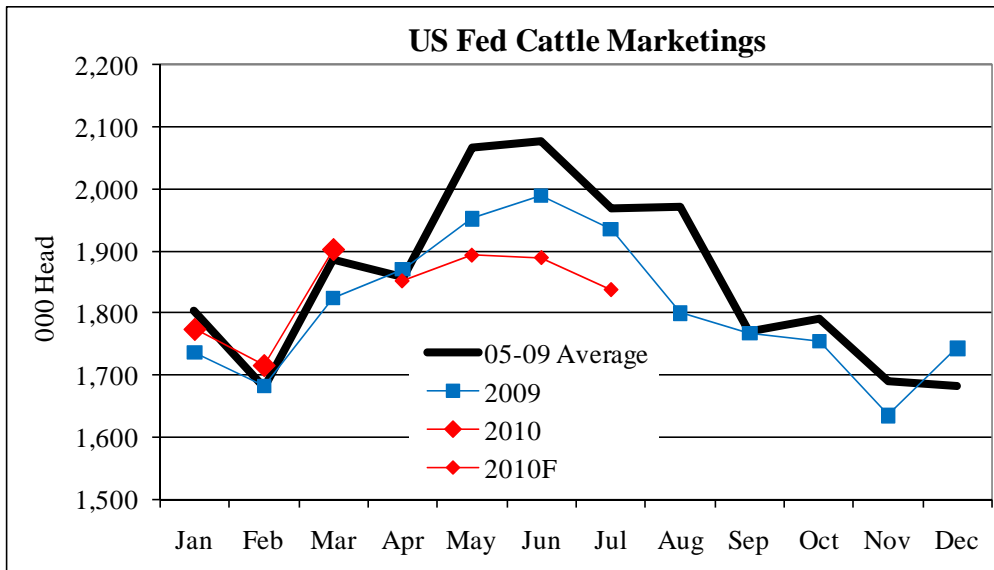
The next graph shows Canadian, Alberta and Ontario slaughter on a monthly basis from 2006 through March 2010. As can be seen, the overall trend lines in Ontario and Canada are modestly lower. The lower trendlines in Ontario reflect the loss of the Gencor plant and the reduction in volumes at Cargill in Guelph. These and the closure of the Moose Jaw plant would have contributed to the reduction in the Canadian total.



The modest upward trendline in Alberta would at least be partially explained by some of those Moose Jaw cows ending up at Calgary or High River. In addition, XL Lakeside operation is continuing to ensure steady or increasing slaughter levels.

Price Forecasts

Last week's Cattle on Feed report was relatively bullish as placements and total inventories tended to be less than expected while marketings were a little more than expected. The net result is that the report helps to flesh-out what can be expected with regard to marketings from the spring through July. In that regard, it appears that fed cattle marketings are going to be tighter this year than last. The following graph shows fed cattle marketings for 2009 and the previous five year average. It also shows actual marketings for the first three months of 2010 as well as my projected marketings for April through July. If these marketing totals come to fruition and if cow slaughter eventually declines, the second quarter should see the lowest slaughter levels in five years.

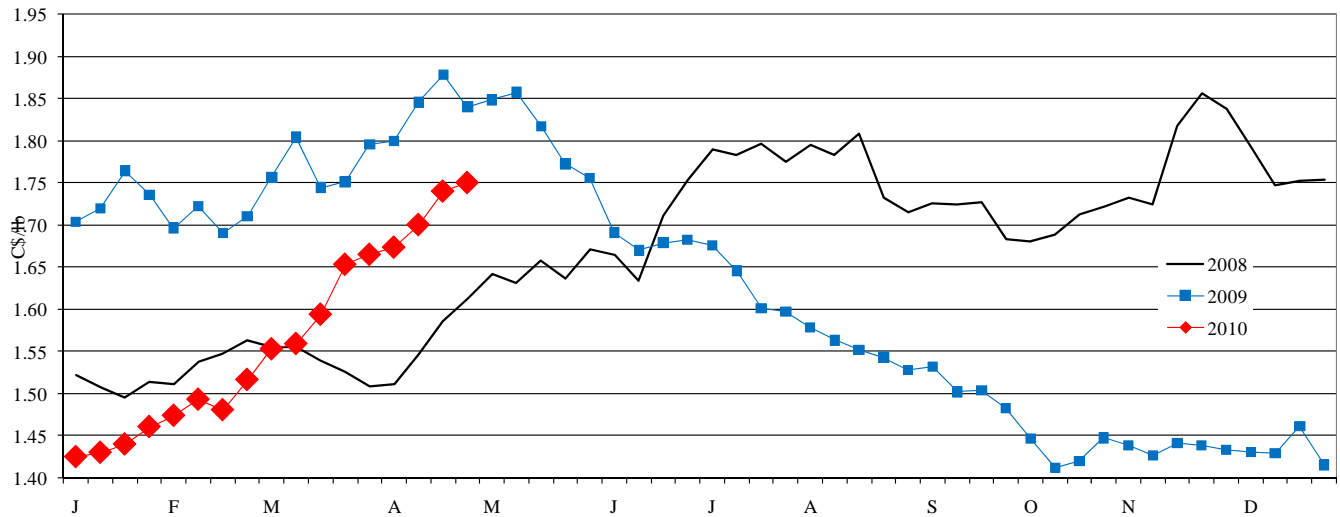


While that supply discussion is important, the real driver of pricing has turned from supplies to demand. Even with tighter supplies, futures prices are at an exceptional premium to typical prices given this level of slaughter. Improving economic news, reports of a modest recovery in foodservice and bullish news on the export front are all supporting demand and cattle prices. In addition, much improved US chicken prices as well as the soaring pork market are also offering demand side support. Demand however, is very fragile. The big live cattle sell-off on Tuesday was due to economic and world market worries. In addition, the reality is that consumers have not begun to feel or see the increase in beef prices. The US producer price index shows that beef prices at wholesale are up by about 6% this March compared to last March. On the other hand, during the first three months of 2010, consumer beef prices are actually lower this year compared to last. The important question is whether consumers going to keep buying beef when the price increases hit the meat case.

Steers/cwt US\$ and C\$ using 0.99 exch	High Plains Live	Live Cattle Futures	Alta-US Spread	Alta Live	Ontario Rail
Next Two Weeks	98	99.00	-6	93	156
June	92	93.95	-5	88	149
July	91	--	-6	86	151
August	90	93.30	-8	83	156
Q4 2010	92	96	-10	83	146
Q1 2011	92	98	-12	81	146

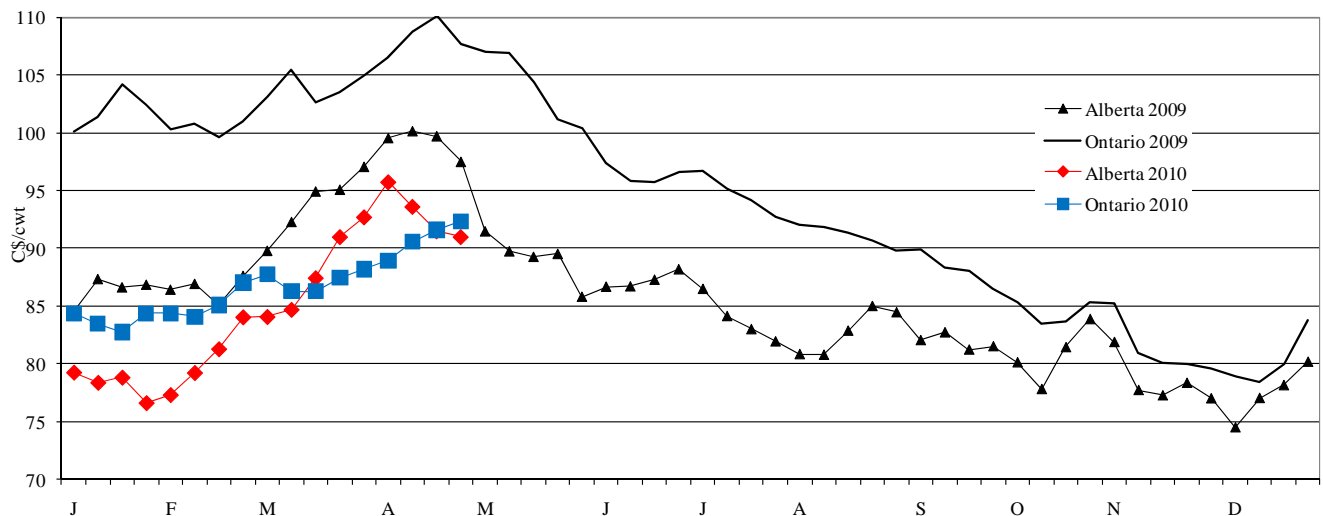
Canadian AAA Boxed Beef Cutout Values

Source: Canfax FOB Plant



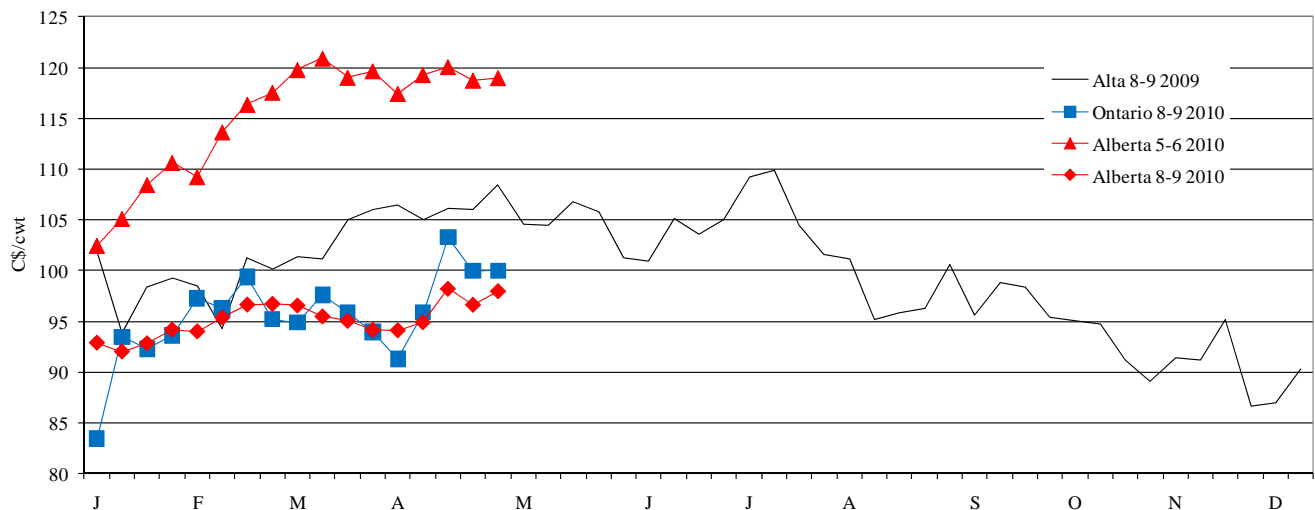
Alberta and Ontario - Live Fed Steer Prices

Source: Canfax and OCA. (Ont Prices are Rail converted by 59%)



Alberta and Ontario - Feeder Steer Prices

Source: Canfax



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