Detailed Explanation of how we analyze the cattle market.

We have included an example of the February 20, 2021, issue of the Canadian Feedlot and Cattle Market Analysis. We start the analysis with an overview of previous recommendations and a brief summary of data that has been released over the past week.

The first section of the analysis focuses on fed cattle. The supply segment focuses on the current slaughter pace. Is the slaughter coming in as expected or are fed cattle being backed up in feedlots? We look at the weekly weight data as well. After looking at the slaughter pace, we review our supply projections for the next four to six months. We take the placements by weight category off the cattle on feed reports to project how many cattle will be ready for the slaughter market. From a demand perspective, consumer spending and beef demand are highly correlated. Consumer spending comprises nearly 70% of U.S. GDP. Beef demand is inelastic. A small change in supply results in a large change in price. We have economic projections to forecast beef demand.

Analysts consider three factors determining market direction for commodities.

1) Logical consistency – this is self-explanatory as the proposed changes in supply and demand need to be logically sound.
2) Empirical Adequacy – This is what we observe to be true or what has occurred to be true in past history and can be repeated.
3) Experimental relevance –For economics, does the analysis agree with proven laws of supply and demand.

One of the most important pieces of information when analyzing a commodity is the Commitment Of Traders Report. This report provides data on who is long and who is short and how much of each. This is vital information for marketing decisions. For example, if the commercial or packer is selling and the managed money is buying the market is bullish. When commercial or packer has an extreme short in place, the demand is full. It doesn't matter how tight the supply is, the market will not go up. If you are currently buying market analysis that does not contain weekly analysis of the Commitment of Traders Report; then you are wasting your money because this is vital information.

At the end of each section, we provide recommendations for selling and risk management based on the current market environment. We also provide our price forecast based on economic models. We provide the deferred prices based on the futures market and the deferred price projections based on our economic models and forecasts.

The second section contains the market outlook for feeder cattle. We provide a minor overview of auction market activity over the past week. We also look at the current economics or profitability of purchasing different weight categories based on current feed grain prices and the forward prices for fed cattle. Feedlots bid up the price of feeders until there is no margin. If margins in the deferred positions are in negative territory, don't expect the feeder market to strengthen from current levels. We also provide supply outlook based on past marketing behavior of cow calf in a normal year. How many feeder cattle are outside finishing feedlots in the U.S. and Canada? Of course we discuss the Commitment of Traders Report for feeder cattle futures and provide recommendations for cow calf producers, backgrounding operators and of course, finishing feedlots.

The feeder cattle section in this issue is limited. The feeder cattle analysis often contains longer term forecasts and projections. This is issue from February 20, 2021 and we don't' want to give away all our secrets. The price discovery for calves in Canada is Central and Southern Alberta. Approximately 40% of the calves born in Canada are in Alberta.

The CME composite price is the official cash settlement price for the CME feeder cattle futures at contract final settlement. We include this information to help feedlot operators and cow calf producers make timely decisions.

The third section provides the feed grain overview. We provide price activity for barley. When price relationships encourage U.S. corn usage in Southern Alberta, we provide detailed analysis for corn. Many analysts provide annual supply and disposition for barley but we take this a step further. We provide a monthly supply and demand outlook for feed barley for the whole crop year. No other analyst in Canada provides this information for cattle producers. We provide recommendations when cattle producers should be aggressive with forward purchases for feed barley to help lock in a margin on the feeding cattle. Cow calf producers will also know how the changes in the barley market influence feeder cattle prices.

The last section contains our outlook for the Canadian dollar. This is very important for the fed cattle price. In 2022, Canadian feeder cattle exports to the U.S. were sharply above the previous year. A weaker Canadian dollar enhances export demand. Finally, this is valuable information when Western Canadian feedlots are importing U.S. corn.

In the final pages of the issue, we provide technical analysis. In many cases, the technical picture provides a clear explanation of the fundamentals. During the growing season, we provide weather maps and precipitation forecasts. During winter, we also provide weather information that will affect cattle performance in Western Canada or in the U.S. Southern Plains.

For example, one spring there was severe flooding in Nebraska and media reports were stating that over 1 million calves were dead from the flooding and weather. Obviously, this was fake news and we clarified the situation so that cow calf producers took advantage of the price premium in the market for this false information. Of course, we advised feedlot operators to be patient on feeder cattle purchases until this "hype" had settled down. The deferred live cattle futures also overextended to the upside on this false news.

Enjoy an issue of the Canadian Feedlot and Cattle Market Analysis from February 20, 2021. Markets were adjusting to COVID influences at the time. Jerry Klassen has over 25 years of commodity trading experience. When you are in a plane, you want the pilot to have actual flying experience, not just academic qualifications. The same idea holds for market analysis. You want someone with actual trading experience; who has worked for multinationals in the past; has traded on a trading floor and has been analyzing commodities for the commercial and institutional clients for many years. There will be data and influences you may not understand. We hope you learn something new. We can walk through the analysis in person when you subscribe to make sure you understand.

Jerry Klassen Phone 204 504 8339 Email Jerry@mymts.net www.resilcapital.com

Market Overview and Executive Summary

On Wednesday, January 29, we advised finishing feedlot operators to forward price, buy price insurance or take some form of price protection on the 25% to 30% of their February through June 2021 fed cattle marketings. On February 9, we advised feedlot operators to forward price 60% to 70% of their fed cattle marketings for February through June 2021.

A lack of power (natural gas) in the U.S. Southern Plains due to the snow storm and adverse cold temperatures caused certain packing plants to operate at lower capacity and certain plants actually went idle for one to two days.

Alberta packers were buying fed cattle on a live basis in the range of $150 to $150.50 fob the feedlot, unchanged from last week. Delivered prices on a dressed basis were quoted in the range of $254 to $255 which was also unchanged. In Kansas and Texas, fed cattle traded at $114 on Thursday, which was steady with week-ago levels. In Iowa and Nebraska, fed cattle traded on a dressed basis at an average price of $180 delivered. Live prices in Nebraska were quoted from $113 to $114. Wholesale values are firm with the lower slaughter pace. Choice product was trading on Thursday at US$238.85/cwt, up US$6/cwt from seven days earlier; select product was trading at US$227.47/cwt, up US$7/cwt from Thursday, February 11.

Compared to earlier in February, Western Canadian yearlings sold $3 to $5 higher on average while calves traded $6 to as much as $10 higher. The deferred feeder and live cattle futures continue to percolate higher which is underpinning nearby cash values. The market is adjusting to the downward revision to the 2019 U.S. calf crop along with the year-over-year decline in the 2020 U.S. calf crop.

Lethbridge area feedlots were buying feed barley in the range of $305/mt to $315/mt delivered this week for March delivery; For June and July positions, merchants are offering small volumes from $320/mt to $330/mt delivered Southern Alberta. Elevators in the Lethbridge area are showing bids at $275/mt delivered for December 2021 and January 2022. The market continues to percolate higher due to ongoing Chinese demand and seasonally strong domestic feed usage. If we don't see a major change over to wheat usage in feed rations, the barley market is vulnerable to squeeze and prices could be up $60 to $80/mt quite quickly.

We're looking for further appreciation of the Canadian dollar against the U.S. greenback. In this issue we discuss three differences in Canadian and U.S. monetary policy that should be supportive for the Canadian dollar. The equity markets continue to trade near historical highs and crude oil was actively trading over $60/barrel this week. Demand for all commodities and resources is expected to surge over the next six months as the U.S., China and rest of world accelerate economic growth.

U.S. Fed Cattle Supply and Beef Production

U.S. Federally Inspected Slaughter (excluding calves)

Week Ending	2020	2021	
Jan 9	643,000	651,000	
Jan 16	633,000	651,000	
Jan 23	644,000	657,000	
Jan 30	638,000	653,000	
Feb 6	631,000	653,000	
Feb 13	621,000	611,000	
Feb 20	626,000	552,000	
YTD	4,765,000	4,502.000	-5.5% y-y

The U.S. weekly slaughter for the week ending February 20 was estimated at 552,000 head, down 74,000 head from the same week of 2020. Weekly beef production for the week ending February 20 was 465.9 million pounds, down from 517.9 million pounds last year. The average dressed weight was estimated at 846 pounds, down one pound from last week but up 16 pounds from last year.

Official data for the week ending February 6 had the U.S. average steer dressed weight at 919 pounds, down four pounds from the previous week but up 22 pounds from the same week of 2020; the average heifer dressed weight was 848 pounds, down five pounds from the previous week and up 15 pounds from the same week of 2020.

The USDA cattle on feed report was considered neutral to slightly bearish for the market. Placements were above pre-report estimates and the total on feed number was on the high side of expectations. Cattle on feed in 1,000 head capacity plus feedlots as of February 1, 2021 came in 12.106 million head, up 1% or 178,000 head from 11.928 million head on February 1 of 2020; feedlot placements during January were 2.017 million head, up 3% or 62,000 head from placements during January of 2020. Fed cattle marketings during January were 1.822 million head, down 6% or 109,00 head from last year.

The cattle on feed report has no bearing on the fed cattle supply for February and March. Cattle processed during these two months were placed earlier. Market ready supplies in February are expected to be up 70,000 to 80,000 head over year-ago levels. The slowdown this past week will have fed cattle market ready supplies about 120,000 head above our slaughter projection. Some of these cattle will be pushed into March. If we take into account the backlog, market ready supplies during March are expected to be up 60,000 to 80,000 head over our slaughter projection.

The cattle on feed report had feedlot placements in the 1,000 pound plus category unchanged from year-ago levels. Therefore, the report has no influence on fed cattle market ready supplies during April. We expect the backlog from March to be cleaned up in April.

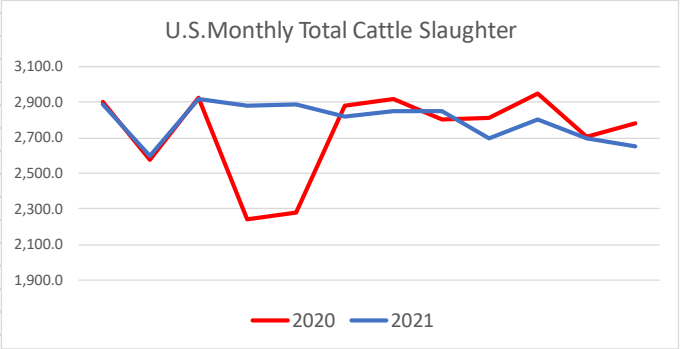
		US Cattle placements for Sept 2020 through Jan 2021						Total
		Under 600	600-699	700-799	800-899	900-999	1000+	Net Change
		(000's of head)						
	Sept 2020	445	360	500	517	300	105	2227
Difference from 2019		15	5	40	42	27	-5	124
	Oct 2020	570	495	465	387	185	90	2192
Difference from 2019		-30	-45	-52	-73	-45	-25	-270
	Nov 2020	520	460	400	306	130	90	1906
Difference from 2019		-100	-40	-23	-4	0	-20	-187
	Dec 2020	460	435	425	317	110	95	1842
Difference from 2019		-5	-20	12	22	15	-10	14
	Jan 2021	410	440	575	417	105	70	2,017
Difference from 2020		20	-15	40	17	0	0	62

To project the May slaughter, we start with September 2020 placements under 600 pounds which were up 15,000 head over September of 2019; during October, placements in the 600-699 pound category were down 45,000 head from October of 2019; during November, placements in the 700-799 pound category were down 23,000 head from November of 2019. During December, placements in the 800-899 pound category were up 22,000 head from December of 2019 and January placements in the 900-999 pound category were unchanged from last year. We need one more cattle on feed report to confirm the May slaughter but it won't have much of an influence. If we add up the year-over-year changes, U.S. fed cattle market ready supplies during May will be down 31,000 head from last year. Market ready supplies during May will only be up 15,000 to 20,000 head from May of 2019 if we do the same exercise comparing placements from a year earlier.

For June, we're anticipating market ready supplies to be down 20,000 head from June of 2020 and down about 40,000 head from June of 2019. **Given the marginal increase in carcass weights, second quarter beef production for 2021 should be similar to 2019.**

For July, notice during November, placements under 600 pounds were down 100,000 head from November of 2019; during December, placements in the 600 – 699 pound category were down 20,000 head from December of 2019. On this January cattle on feed report, placements in the 700-799 pound category were up 40,000 head from January of 2020. If we have a traditional placement schedule for the next three cattle on feed reports, market ready supplies during July have potential to be down around 100,000 from July of 2020 and down about 60,000 head from July of 2019. Obviously, the backlog during July 2020 was severe due to the lower slaughter pace in the spring but we compare as per normal circumstances. In any case, we believe there is a tighter fed cattle market ready supply brewing for the third quarter of 2021. Our quarterly projections are lower than USDA for the third and fourth quarters of 2021.

	2019	2020	2021	Change
Jan	2830.2	2,899.4	2,890.0	**-9.4**
Feb	2454.7	2,578.0	2,600.0	**22.0**
Mar	2649.5	2,921.7	2,920.0	**-1.7**
Apr	2829.2	2,239.1	2,880.0	**640.9**
May	2939	2,277.5	2,885.0	**607.5**
Jun	2804.9	2,876.3	2,820.0	**-56.3**
Jul	2938.3	2,918.6	2,850.0	**-68.6**
Aug	2926.2	2,804.0	2,850.0	**46.0**
Sep	2676.7	2,812.8	2,700.0	**-112.8**
Oct	2976.3	2,946.1	2,800.0	**-146.1**
Nov	2774.3	2,701.7	2,700.0	**-1.7**
Dec	2750.9	2,782.0	2,650.0	**-132.0**
	33550	**32,757.2**	**33,545.0**	**787.8**

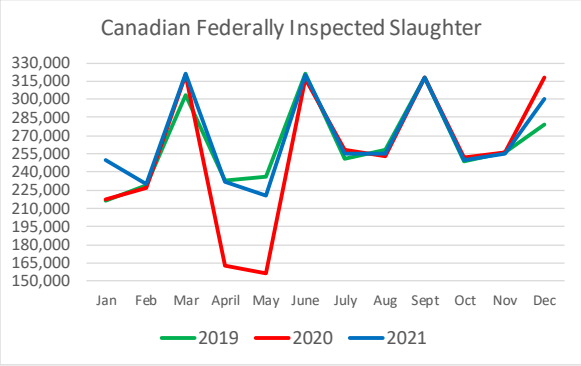


U.S. Quarterly Beef Production								
(million pounds)					USDA	Jerry's		Jerry's
	USDA	USDA	USDA	USDA	Feb est	Estimate		Estimate
Quarter	2017	*2018*	*2019*	*2020*	2021	2021		2022
1	6300	6465	***6414***	***6929***	7005	**7,022**		**6,550**
2	6404	6724	***6814***	***6054***	6860	**6,866**		**6,725**
3	6731	6821	***6923***	***7110***	6875	**6,809**		**6,800**
4	6742	6862	***7000***	***7059***	6800	**6,711**		**6,600**
total	**26177**	***26872***	***27151***	***27152***	**27540**	**27,408**		**26,675**

Canadian Supplies

	2018	2019	2020	2021	Change
Jan	198,482	216,458	217,537	250,095	32,558
Feb	204,802	228,896	227,040	230,000	2,960
Mar	273,932	302,807	320,089	321,000	911
April	230,944	232,542	162,900	232,000	69,100
May	230,923	236,490	156,938	220,000	63,062
June	318,239	321,387	316,499	320,000	3,501
July	235,962	250,739	257,941	255,000	-2,941
Aug	247,073	258,128	253,153	255,000	1,847
Sept	305,587	318,400	318,125	318,000	-125
Oct	238,091	248,410	252,153	250,000	-2,153
Nov	245,951	255,635	256,505	255,000	-1,505
Dec	281,121	279,602	318,366	300,000	-18,366
Total	3,011,107	3,149,494	3,057,246	3,206,095	

** Feb 2021 through Dec 2021 are estimates



Canadian Slaughter (Cattle excluding calves)

Week Ending	2020	2021	
Jan 30	55,361	58,842	
Feb 6	59,167	59,282	
Feb 13	59,196	69,953	
Year-to-date	335,900	372,330	+10.8% y-y

Canadian Slaughter Cattle Exports to U.S. (steers, heifers, cows)

	2020	2021	
Jan 1 to Jan 9	5,024	8,867	
Jan 16	9,871	10,028	
Jan 23	9,964	9,459	
Jan 30	10,770	9,552	
Feb 6	11,784	11,578	
Year to date	47,413	49,484	+4% y-y

The Canadian slaughter for the week ending February 13 came in at 69,953 head, up 10,757 head from 59,196 head last year. The slaughter pace is exceeding expectations. The Western Canadian average steer weight for the week ending February 13 was 911 pounds, down two pounds from the previous week but up 19 pounds from last year; the average Western Canadian heifer carcass weight for the week ending February 13 was 858 pounds, up one pound from the previous week and up 28 pounds from last year.

Canadian fed cattle exports to the U.S. are running at similar levels to last year. Year-to-date exports are marginally higher than year-ago levels.

The Alberta and Saskatchewan cattle on feed report was considered neutral for the market. Total cattle on feed numbers are down from last year but there was a surge in placements during January.

Cattle on feed for slaughter in Alberta and Saskatchewan as of February 1 came in at 1.010 million head, down roughly 7% or 74,000 head from February 1 of 2020. Placements in Alberta and Saskatchewan during January were 135,795 head, up 19% or 22,085 head from January of 2020. Fed cattle marketings during January in the two provinces were 119,246 head, down 13% from January of 2020.

	Canada Slaughter					Fed cattle Exports			
	2019	**2020**	**2021**	**Change**		**2019**	**2020**	**2021**	**Change**
Jan	216,458	217,537	250,095	32,558		40,521	46,742	45,000	-1,742
Feb	228,896	227,040	230,000	2,960		41,589	44,765	43,000	-1,765
Mar	302,807	320,089	321,000	911		48,155	53,152	54,000	848
April	232,542	162,900	232,000	69,100		48,377	41,905	44,000	2,095
May	236,490	156,938	220,000	63,062		38,820	47,726	45,000	-2,726
June	321,387	316,499	320,000	3,501		43,668	46,542	46,000	-542
July	250,739	257,941	255,000	-2,941		33,047	35,920	34,000	-1,920
Aug	258,128	253,153	255,000	1,847		33,916	32,348	34,000	1,652
Sept	318,400	318,125	318,000	-125		40,417	41,801	37,000	-4,801
Oct	248,410	250,000	250,000	0		50,726	47,448	50,000	2,552
Nov	255,635	256,505	255,000	-1,505		53,722	51,016	54,000	2,984
Dec	279,602	318,366	300,000	-18,366		44,536	45,000	50,000	5,000
Total	3,149,494	3,055,093	3,206,095	151,002					

We're not going to go into great detail on the placements this week because we don't feel it is necessary. Total January placements on the Alberta and Saskatchewan cattle on feed report were up 22,085 from January of 2020; however, the bulk of the increase was in the under 600-pound category which was up 12,767 head from January of 2020. This will influence September and October but not nearby market direction. The remaining placements were evenly distributed for the most part.

We're not changing our forecast from last week. The backlog of market ready supplies will be cleaned up in late March. At the end of April, we're projecting market ready supplies to be down about 15,000 head from April of 2020 and maybe up 5,000 head from April of 2019. During May, supply and demand will be in balance given our projection for the domestic slaughter and fed cattle exports.

During June, we're projecting market ready supplies in Alberta and Saskatchewan to be down about 140,000 head from June of 2020 and down about 40,000 to 50,000 head from June of 2019. (We made an error in our calculation last week.) We need three more cattle on feed reports to project the July and August slaughters but we're projecting market ready supplies to be lower than 2019.

To reiterate from last week, Alberta packer bids or basis should be stronger than U.S. bids or basis levels during June through August. The domestic market will need to trade at a premium to U.S. values as local packers work to secure supplies. This may temper the exports of slaughter cattle to the U.S. during the summer months.

Beef Demand

Wholesale beef values remain firm and have been buoyed by the lower U.S. slaughter pace this past week. On Thursday, choice product was trading at US$238.85/cwt, up US$5.89/cwt from US$232.96 seven days earlier; select product was trading at US$227.47/cwt, up US$7.18/cwt from US$220.29/cwt last week. The National Comprehensive Boxed Beef Price report had values mostly steady to higher than week-ago levels and solidly above year-ago prices. U.S. and Canadian restaurant traffic appears to improve on the weekends but there is no significant change during the week.

National Comprehensive Boxed Beef Prices

	Feb 12/20	Feb 5/21	Jan 30/21	Feb 15 2020
Cutout Values	231.19	230.45	224.86	211.73
Primal Rib	385.43	374.36	370.26	343.32
Primal Chuck	195.25	197.98	194.54	170.03
Primal Round	186.94	187.71	184.88	178.24
Primal Loin	312.96	308.95	296.73	277.22

National U.S. Retail Summary ($$/lb average for the week ending)

	Feb 19/21	Jan 15/21	Jan 8 /21	Feb 1/20
Tenderloin		11.62	10.33	10.57
Bnls Sirloin Roast		4.63	4.20	3.97
Bnls Sirloin Sk		6.17	5.09	5.44
Top Round Sk		4.30	4.62	4.85
Bottom Rd Sk		5.11	4.31	4.38
Gnd bf 80%-89%		3.47	3.06	2.99

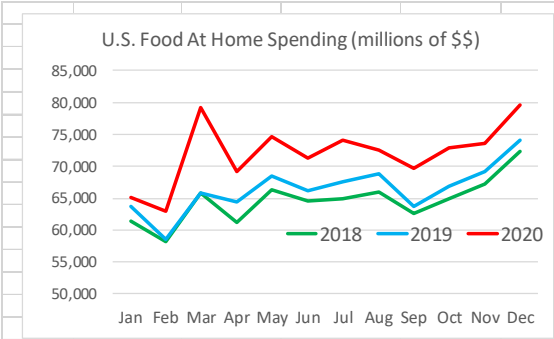
Bf=beef Sk=Steak Bnls=Boneless

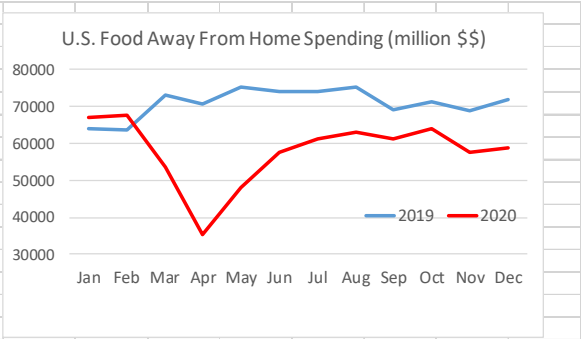
Restaurant Traffic; www.opentable.com/state-of-industry
Seated Diners from online, phone and walk-in reservations.
(percent year-over-year change)

	2/18	2/13	1/30	1/17	12/10
U.S.	-55.25	-40.91	-43.9	-51.8	-67.96
Canada	-70.21	-67.64	-81.3	-77.6	-79.59

COVID restrictions are easing in the U.S. There are no states ordering business closed or mostly closed. States with mixed business openings include Arizona, California, Oregon, Colorado, New Mexico, Connecticut and Massachusetts. Four states have stay at home advisories; these are California, New Mexico, Wisconsin and Kentucky. It's important to note that in Kentucky for example, food and drink indoor dining is open so one has to keep the advisories in perspective.

We've had a few discussions regarding beef demand. Over the past year, there has been a change in income (increase) and a change in taste or culture. First, the stimulus and aid packages have artificially increased income levels. This is the first recession in history where incomes have actually increased for the average American. Americans that were working minimum wage or part time are receiving more dollars than they would earn at an actual job. We've mentioned in the past that the stimulus and aid packages have alleviated concerns over unemployment. Secondly, we're back to a 1950's culture where families eat at home --two or three meals each day. Families are not attending sporting events or school activities in the evening. Travel is way down. The COVID pandemic has caused the return of "family meal time" during the week and on weekends.





Monthly food at home spending averaged a 2.5% increase on a year-over-year basis from 2018 to 2019; however, during 2020, monthly at home food spending was up 8.5% on average year-over-year. In the latter half of 2020, away from home food spending per month was down 12% to 18% from year-ago levels. The larger decline coming on the second wave of the pandemic during November and December. People don't eat as much when they eat out compared to when they eat at home. People will often have a second helping or a second hamburger at home but they won't in a restaurant.

It appears that consumers are eating more beef at higher prices. The main question is will demand start to ease as the pandemic slowly comes to an end by the fall period. The proposed jobless benefit from the proposed Biden aid package is expected to end during August. Will families return to pre-COVID behavior. We believe that incomes will decline as the jobless benefit ends in August. We're also expecting that families will slowly return to their regular way of life from September onwards. This will result in lower beef demand.

Currently, we believe that beef demand is at a peak. Given the jobless benefit and direct stimulus cheques, all Americans have money for food. We will see further lifting of constraints in upcoming months. In late summer Americans will slowly resume their normal lifestyle. While incomes will stay at higher levels through the summer, the resumption of normal lifestyle will result in softer demand.

Cattle-Fax 6-State and 3 State Fed Steer Price Index

The 6-State is a five-day weighted average price for choice steers sold in Iowa, Nebraska, Kansas, Colorado, Oklahoma and Texas, in dollars per cwt. The 3-State is a five-day weighted average price for choice steers sold in Kansas, Oklahoma and Texas.

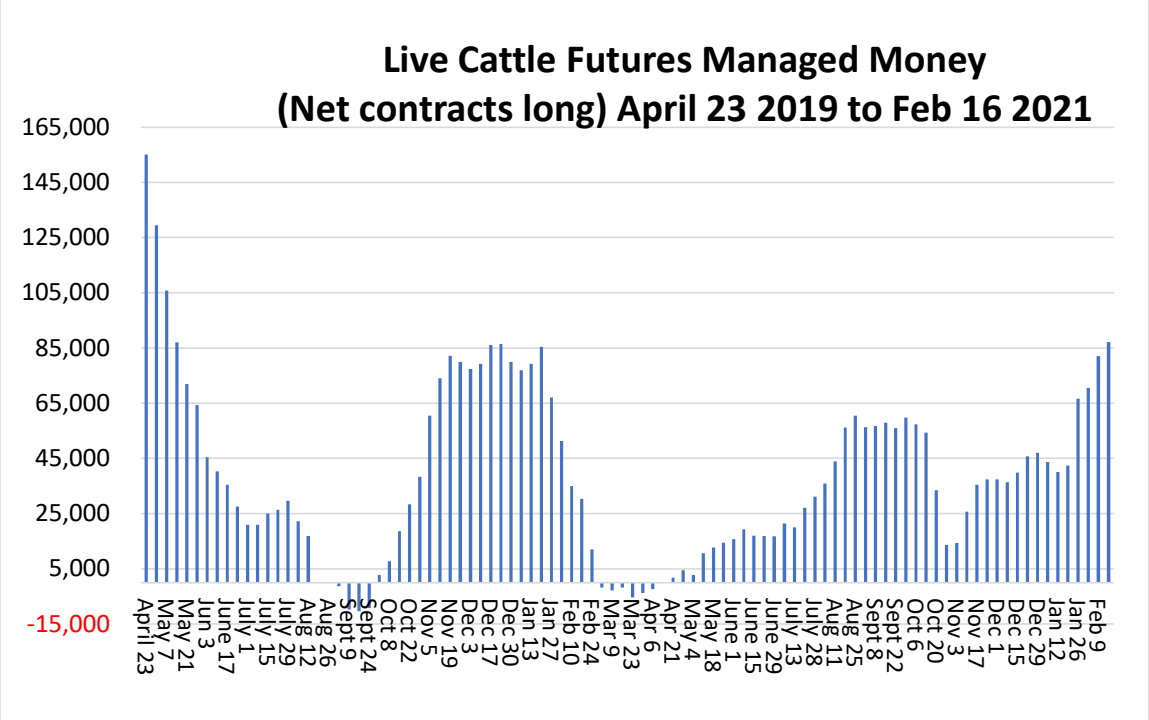
	2/18	2/17	2/16	2/15
CATFAX Fed 6 State	113.95	113.87	113.83	113.84
CATFAX Fed 3 State	114.00	114.00	114.00	114.01

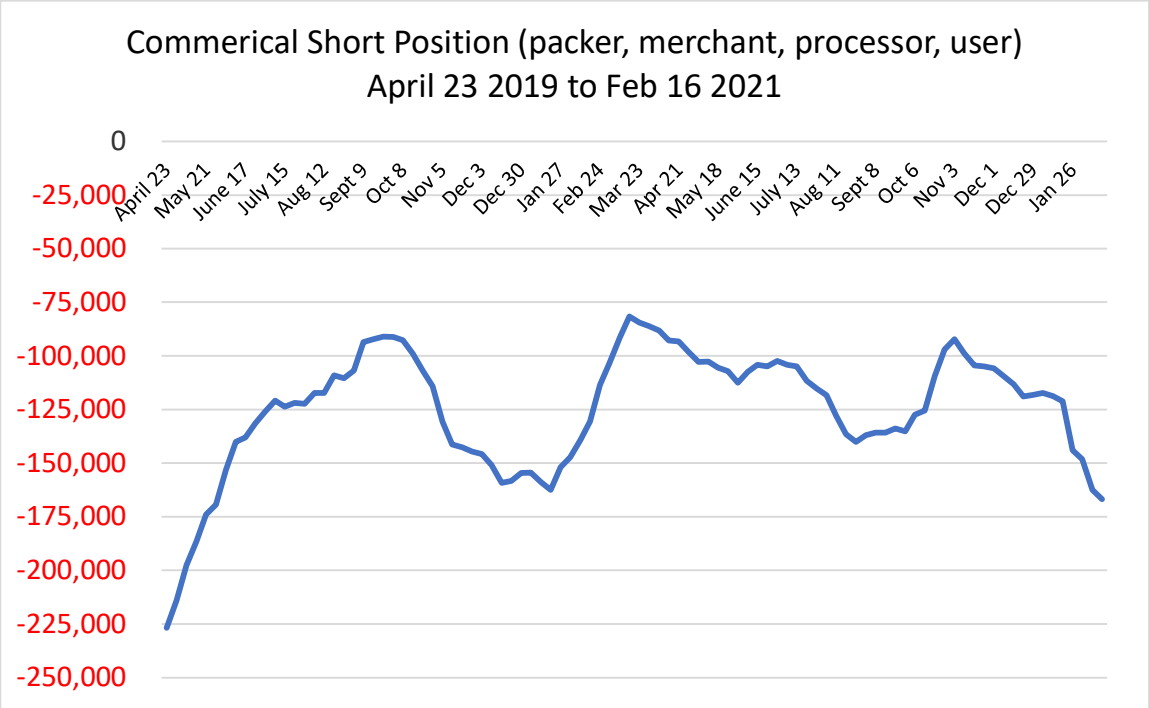
Commitment of Traders for Live Cattle Futures Only

The commercial (producer, merchant, processor, user) was a net seller of 4,355 contracts and the managed money was a net buyer of 5,085 contracts. The commercial selling and managed money buying characterizes a rising market. This signals that packers are buying more cattle in the cash market.

We want to draw attention that the managed money long and the commercial short position is similar to the January 20, 2020, position. The live cattle futures made a high around this time in late January 2020.

Live Cattle Futures Only							
Commitment of Traders Disaggregated Report Futures Only							
	Jan 12	Jan 19	Jan 26	Feb 2	Feb 9	Feb 16	Change
Pro/Mer/Pro/User	-118,710	-121,133	-143,853	-148,140	-162,380	-166,735	-4,355
Swap Dealer	76,592	80,308	81,744	80,025	83,702	84,724	1,022
Managed Money	40,026	42,388	66,678	70,527	82,028	87,113	5,085
Non Commercial	12,011	8,967	7,752	8,668	10,067	9,088	-979
***Producers / Merchant / Processor / User							





Alberta Fed Cattle Price Projections

This section contains a chart and detailed monthly price forecasts based on our economic models. We can't give away all our secrets. This information is only for paying subscribers.

Strategy and Conclusion for Fed Cattle

We've advised feedlot operators to have 60% to 70% of their fed cattle forward contracted for the first half of 2021. In addition to below, please see chart on page 22.

Analysts consider three factors determining market direction for commodities.

4) Logical consistency – this is self-explanatory as the proposed changes in supply and demand need to be logically sound and cannot contradict
5) Empirical Adequacy – What we observe to be true or what has occurred to be true in past history and can be repeated.
6) Experimental relevance – can this be reproduced in a lab. For economics, does the example confirm proven laws of supply and demand.

We want to look back at past history to compare the seasonal highs in the first half of the year. Below, we've shown first quarter production and second quarter production (in million pounds); we've shown the managed money long and the commercial short along with the date of the seasonal high.

	2018	2019	2020	2021
1st quarter production	6455	6414	6929	7022
2nd quarter production	6724	6814	6054	6850
Managed money long	103,278	155,183	85,392	87,113
Commercial short	-197,405	-226,677	-162,463	-166,735
Date of High	Feb 20/18	April 23/19	Jan 20/20	Feb 16/21
Live cattle Futures High	130.52	128.60	127.40	126.70
Date of Low	May 14/18	July 1/19	June 29/20	
Low	101.37	103.75	91.375	

When the market makes the high for the move, the commercial has the largest short position and the managed money has the largest long position. For example, on April 23 2019, the market made a high of $128.60. During that week, the commitment of traders' report had the managed money long at 155,1,83 contracts and the commercial short at 226,677. Both of these traders had their positions to the extreme when the market was at the highs.

When we advised our sales for the first half of 2021 on February 9, the managed money long and the commercial short were very similar to 2020.

First quarter production at 7.0 billion pounds is the highest out of the past four years. The only caveat is we don't have confirmed demand. The April 2021 futures are within a $1 of the January 20, 2020. high this week. Again, we want to have producers assess the risk reward and the current overall environment. There are many similarities to the high of 2020 and the current market environment. Over the next couple of months, we believe the fed cattle market is vulnerable to downside potential.

Feeder Cattle Market Analysis

Steers	**Central Alberta Feb 18 2021**			**Heifers**	
Mixed	925 lbs	$181	Tan	840 lbs	$176
Sim	865 lbs	$184	Black	800 lbs	$177
Black	810 lbs	$181	Black	715 lbs	$180
Tan	773 lbs	$195	Red mixed	625 lbs	$199
Mixed	750 lbs	$200	Mixed	550 lbs	$212
Mixed	650 lbs	$218	Mixed	525 lbs	$224
Black	586 lbs	$232			
Char	550 lbs	$240			
Tan	525 lbs	$252			

Compared to earlier in February, Western Canadian yearlings sold $3 to $5 higher on average while calves traded $6 to as much as $10 higher. Despite the strong feed grain prices, there was no shortage of buying enthusiasm. The market is adjusting to the downward revision to the 2019 U.S. calf crop along with the year-over-year decline in the 2020 U.S. calf crop. Compared to the first week of February, the nearby feeder cattle futures are relatively unchanged but the deferreds are trading near contract highs. Yearlings were surprisingly strong and buyers were anxious to secure ownership of grass cattle. Most auction barns resumed regular sales but volumes were lower in many areas. Secondly, feedlot margins are nearing breakeven. Notice the February and April 2022 live cattle futures make new contract highs. All of these factors may have contributed to the stronger feeder market this week.

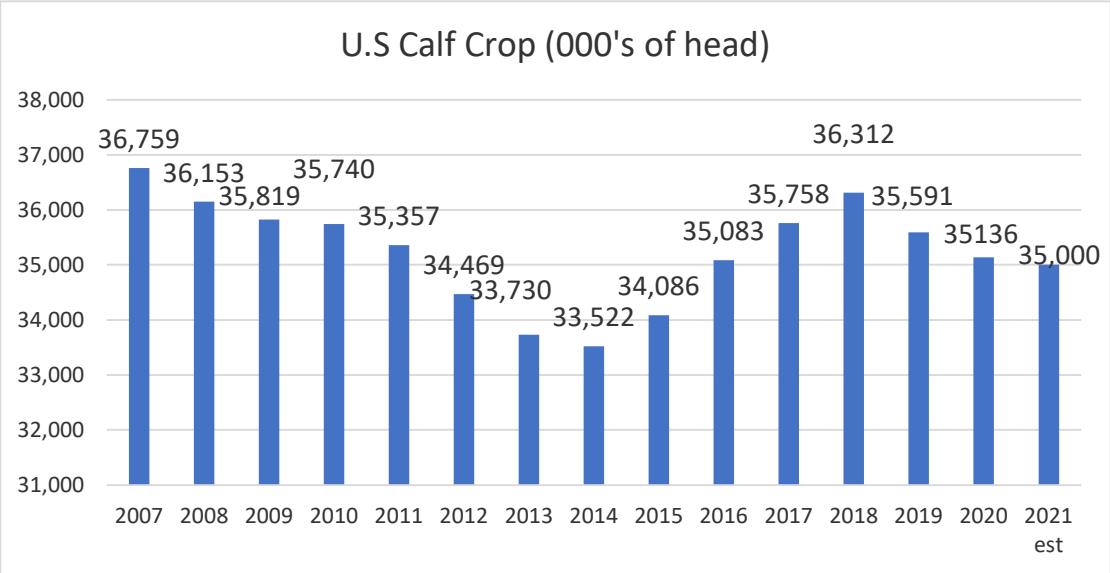
We want to draw attention to the Western Canadian barley and feed grain influence on the feeder market. There is a risk that one morning we wake up and feed barley prices are $40/mt to $80/mt higher given the tight stocks situation. This is called a squeeze; it happened in canola and the market is ripe for Canadian barley prices to experience similar behavior. This could pressure the feeder market until prices stabilize. A couple of major grain merchants may blanket Western Canada with elevator bids at $8.00/bushel. Keep this in mind because there is potential.

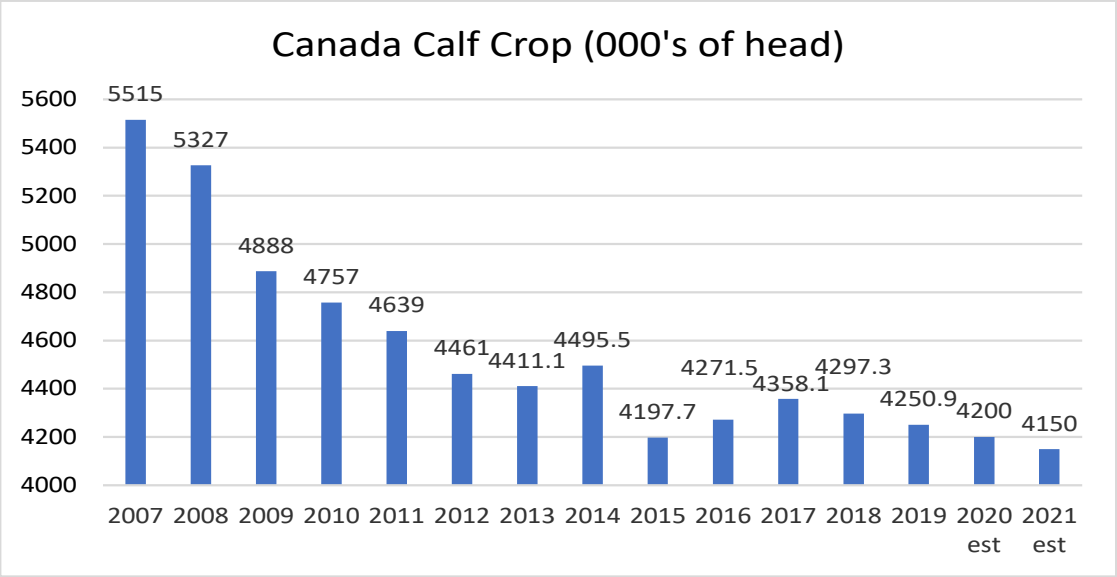
On the following page, we have the economics for feeder steers bought from September through February. Notice that for February 2021, current fed cattle prices cover feed costs but not all fixed costs. If a feedlot has lower fixed costs or a feedlot has lower feed grain costs, there might even be some profits at the current levels for fed cattle.

Finishing 850 pound steer	Current Economics					
Purchase month	**Sept**	**Oct**	**Nov**	**Dec**	**Jan - 21**	**Feb-21**
Steer weight	850	850	850	850	850	850
Steer purchase price	$1.89	$1.90	$1.83	$1.78	$1.75	$1.75
Total Cost	$1,607	$1,615	$1,556	$1,513	$1,488	$1,488
Cost per pound gain (feed)	$0.76	$0.76	$0.87	$0.94	$0.95	$0.95
Costs per pound gain (all costs)	$1.07	$1.07	$1.17	$1.23	$1.23	$1.25
total cost of finished steer feed only	$1,987	$1,995	$1,991	$1,983	$1,963	$1,963
total cost of finished steer all costs	$2,142	$2,150	$2,141	$2,128	$2,103	$2,113
Selling Month	**Feb-21**	**Mar-21**	**Apr-21**	**May-21**	**Jun-21**	**Jul-21**
Weight at sale price	1350	1350	1350	1350	1350	1350
Breakeven price (feed only)	**$1.47**	**$1.48**	**$1.47**	**$1.47**	**$1.45**	**$1.45**
Breakeven price (all costs)	**$1.59**	**$1.59**	**$1.59**	**$1.58**	**$1.56**	**$1.56**

Finishing 850 pound steer	Projections					
Purchase month	**Mar-21**	**Apr-21**	**May-21**	**Jun-21**	**Jul-21**	**Aug-21**
Steer weight	850	850	850	850	850	850
Steer purchase price	$1.80	$1.80	$1.85	$1.90	$2.00	$2.00
Total Cost	$1,530	$1,530	$1,573	$1,615	$1,700	$1,700
Cost per pound gain (feed)	$1.00	$1.00	$1.05	$0.95	$0.90	$1.00
Costs per pound gain (all costs)	$1.30	$1.30	$1.35	$1.25	$1.20	$1.30
total cost of finished steer feed only	$2,030	$2,030	$2,098	$2,090	$2,150	$2,200
total cost of finished steer all costs	$2,180	$2,180	$2,248	$2,240	$2,300	$2,350
Selling Month	**Aug-21**	**Sep-21**	**Oct-21**	**Nov-21**	**Dec-21**	**Jan-22**
Weight at sale price	1350	1350	1350	1350	1350	1350
Breakeven price (feed only)	**$1.50**	**$1.50**	**$1.55**	**$1.55**	**$1.59**	**$1.63**
Breakeven price (all costs)	**$1.61**	**$1.61**	**$1.66**	**$1.66**	**$1.70**	**$1.74**
Our projected fed cattle price	**$158.00**	**$1.62**	**$166.00**	**$170.00**	**$170.00**	**$1.72**

To reiterate from previous issues, we believe the feeder cattle market is adjusting to the downward revision to the 2019 U.S. calf crop and the year-over-year decline in the 2020 calf crop. To reiterate from previous issues, we're expecting the feeder cattle futures to trade in the range of $150 to $170 from September 2021 and onwards.





Feeder Cattle Strategy and Conclusion

We've increased our projections from February through April for 850-pound steers in Central Alberta. The market has responded quicker than expected to the lower U.S. calf crop. We've mentioned in the past that we're expecting calves under 650 pounds to trade at fresh 52-week highs later in winter and spring. Yearlings will be hot this fall and the upper end of the range could be $200 to $205 for 850-pound steers in Central Alberta.

Past history shows that a calf crop just over 35.0 million head have feeder cattle futures in the range of $150 to $170. The tighter corn fundamentals could limit the upside but there will be limited slippage in the feeder market.

Price Projection for-850 Pound Steers in Central Alberta

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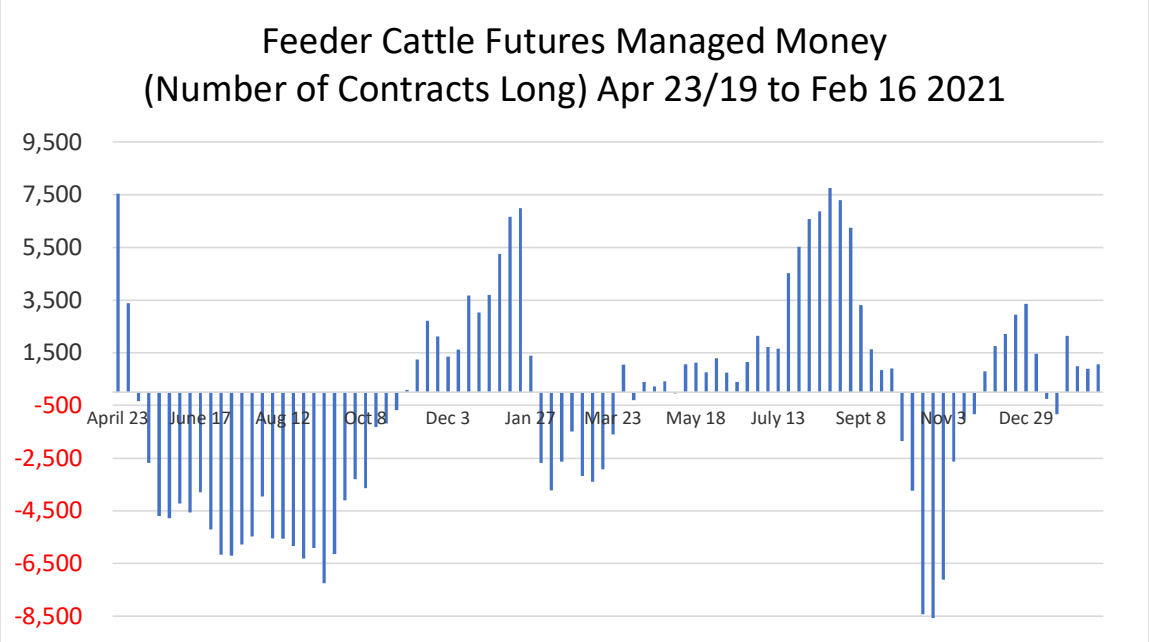
Commitment of Traders for Feeder Cattle Futures Only

The commercial (producer, merchant, processor, user) was a net buyer of only 13 contracts and the managed money was a net buyer of 166 contracts. This characterizes a neutral outlook. There is no major trend in the position of the commercial or the managed money.

Feeder Cattle Futures Only							
Commitment of Traders Disaggregated Report Futures Only							
	Jan 12	Jan 19	Jan 26	Feb 2	Feb 9	Feb 16	Change
Pro/Mer/Pro/User**	-1527	-1183	-1765	-1565	-1712	-1699	13
Swap Dealer	7438	7171	7050	7763	7682	7717	35
Managed Money	-248	-834	2145	993	890	1056	166
Non Commercial	341	1208	905	399	1032	1124	92
***Producers / Merchant / Processor / User							



CME Composite Price

The CME composite price is the official cash settlement price for the CME feeder cattle futures at contract final settlement. Figures have been calculated by the CME Group from prices reported by the USDA. The 7-day average price for 650 - 849-pound feeder steers.

Date	Avg. Price	Date	Avg. Price	Date	Avg. Price
02/17	136.29	02/15	135.60	02/11	135.34
02/16	135.71	02/12	135.57	02/10	135.49

Feed Grain Comment

Lethbridge area feedlots were buying feed barley in the range of $305/mt to $315/mt delivered this week for March delivery; For June and July positions, merchants are offering small volumes from $320/mt to $330/mt delivered in Southern Alberta. The Lethbridge market for September through December 2021 is quoted from $260/mt to $275/mt. Southern Alberta elevators are showing bids at $275/mt delivered for December 2021 and January 2022 and this has been supportive for new-crop domestic feed prices. Farmers in Southern Alberta will not sell off the combine for $250 or $260 when they can receive $275/mt in December or January.

In Central Alberta, feedlot operators are showing barley bids in the range of $295/mt to $305/mt delivered for March and April. For September through December, Central Alberta bids from feedlot operators and elevators range from $240/mt to $255/mt. Feedlot bids need to be equal with elevator bids if they want to secure new-crop supplies.

Wheat for feed usage was quoted from $295/mt to $310/mt delivered in both Central and Southern Alberta last week; the average elevator bid for NO.1 and NO.2 CWRS 13.0

protein was $285/mt. The domestic feed market continues to trade at equivalent or higher values than export values. U.S. corn is quoted from $335/mt to $344/mt delivered in the Lethbridge area.

Canadian crop year-to-date exports for the week ending February 7 were 2.1 million mt, up from 1.1 million mt last year. Exports are on pace to reach 3.0 to 3.2 million mt for the 2020/21 crop year. World barley offers are higher this week. French feed barley is quoted at US$275/mt to US$280/mt fob La Pallice or Rouen. Canadian feed barley is quoted at US$290/mt but there are no firm offers. The market is quiet because of the Chinese holiday's but we'll see how the Chinese respond to the higher prices next week. We're not hearing of firm export offers for Russian or Ukraine barley this week. Traders are waiting to see how the market behaves with the implementation of the export tax on March 1. Australian offers are unchanged from last week with quotes in the range of US$250/mt to US$255/mt depending on the port.

The function of the Canadian barley market is to ration demand through higher prices. The market needs to encourage the use of alternate feed grains while also slowing offshore movement. At this stage, the export pace has not slowed. We haven't seen enough feedlots switch over to feed wheat. Statistics Canada estimated non-durum wheat used for feed from August 1, 2020, through December 31, 2020, at 2.9 million mt, up from 2.3 million mt last year. Barley usage was actually up from last year coming in at 4.2 million mt, compared to 3.9 million mt. There may be some wiggle room with the margin of error but barley usage appears to be similar to year-ago levels. Domestic barley usage should drop sharply from January onwards, otherwise, there is potential for further upside. **We need to see a massive switch over to wheat feeding in upcoming months. If we don't see a large switch to wheat, then this barley could all of sudden get "hot" like the squeeze in the canola market. You will wake up one day and barley prices will be up $80/mt.** Keep in mind the barley market tends to experience a minor rally during April.

A few words on Malt Barley… The Statistics Canada August through December 31 supply and disposition report showed that barley product exports were 304,700 mt, down marginally from August 1 through December 31, 2019, product exports of 319,200. It's also important to note that barley used for industrial purposes was 146,100 mt for the first five months of the 2020/21 crop year, similar to the previous year's industrial usage of 159,400 mt.

Barley used for malt purposes is not down as much as anticipated; in fact, one can argue it is similar to year-ago levels. Domestic processors are well covered for the remainder of the 2020/21 crop year. Elevator bids for old-crop malt barley are similar to domestic feed barley bids. Farmers are not anxious to sell old-crop malt barley given the strength in feed barley prices.

In the non-major feeding areas of Alberta and Saskatchewan, we're hearing of new crop malt barley bids in the range of $240/mt to $260/mt. Malt prices are about $20/mt to $30/mt above feed price. Elevator companies are signing up malt barley with a guaranteed feed barley price if the barley doesn't make malt. This has been fairly attractive to farmers and companies have been filling up programs very quickly. We haven't heard of new-crop bids from domestic malt processors.

Canadian Barley Disposition by Month 2020/21													
(000's of mt)	Act	Act	Act	Act	Act	Est	Est	Est	Est	Est	Est	Est	Est
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	total
Carry in visible	269	252	267	248	274	434	355	326	507	347	319	272	
deliveries	**760**	**950**	**1425**	**1600**	**1640**	800	800	900	850	600	520	380	11225
dockage	4	5	7	8	8	4	4	5	4	3	3	2	56
net deliveries	756	945	1418	1592	1632	796	796	896	846	597	517	378	11169
imports	5	10	10	10	10	10	20	20	20	20	20	20	175
TOTAL SUPPLY	1030	1207	1695	1850	1916	1240	1171	1242	1372	964	857	670	
Demand													
China	135.7	206.3	469.7	395.3	276.4	250.0	250.0	250.0	240.0	200.0	200.0	100.0	2,973.4
Colombia	-	-	-	-	-	-	-	-	-	-	-	-	-
Mex/Peru/Ecuador	-	-	-	-	-	-	-	-	-	-	-	-	-
Japan	25.8	28.9	22.5	8.9	-		10.0			10.0			106.1
United States.	6.3	6.5	5.2	5.9	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	64.0
Total Exports	167.8	241.7	497.4	410.1	281.5	255.0	265.0	255.0	245.0	215.0	205.0	105.0	3,143.5
								seed =	300				
Domestic Food/Ind	**60**	**98**	**100**	**100**	**100**	80	80	80	80	80	80	62	1000
Domestic Feed	**550**	**600**	**850**	**1066**	**1100**	550	500	400	400	350	300	250	6916
TOTAL DEMAND	**778**	**940**	**1447**	**1576**	**1482**	885	845	735	1025	645	585	417	11360
net carry out visible	252	267	248	274	434	355	326	507	347	319	272	253	
month end farm stox	10936	9986	8561	6961	5321	4521	3721	2821	1971	1371	851	471	
** Domestic food includes malt processed for export and barley for industrial usage.									TOTAL	CARRYOUT	IS	724	

We've included the monthly supply and demand table. Notice the January through March feed usage at 550,000 mt, 500,000 mt and 400,000 mt per month. During November and December, feed usage was over 1.0 million mt. Domestic feed demand is at seasonal highs during January through April so we would typically see feed usage exceeding 800,000 mt per month. We've lowered the feed usage number for each month to achieve the carryout and domestic feed target of 6.9 million mt for the 2020/21 crop year. Statistics Canada will release their March 31 stocks survey in early May. This will be a critical report.

The uncertainties for new-crop prices are of course Canadian acreage and Chinese demand for barley and corn. We feel it is prudent to have some coverage for new crop given the current elevator bids in Southern Alberta. If merchants drain the supplies from Southern Alberta which is the major feeding region, domestic barley prices will stay firm all year. This is a demand rally in new-crop positions and it doesn't look like Chinese purchases are slowing down. In the next issue, we'll update to the corn situation.

Strategy and Conclusion

We feel it's prudent for feedlots to have 100% feed grain coverage through to the end of July. We are advising feedlot operators to increase August coverage to 100%. We're also advising feedlots to book 30% to 40% of their September through December requirements.

Canadian Dollar Comment

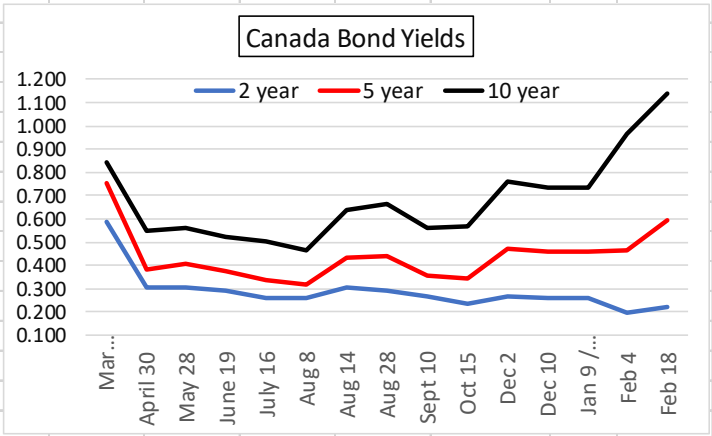
The March Canadian dollar experienced range bound trade over the past week with support at 78.35 U.S. cents and resistance at 79.50 U.S. cents. There was very little fresh news on either side of the border to influence market direction. The Canadian consumer price index during January rose 1.0% year-over-year; Canadian core inflation (excluding food and energy) was up 1.4% from January of 2020. Gas prices were down 3.3% from 12 months earlier. Last week, we mentioned the U.S. inflation was up 1.4% on a year-over-year basis in January. U.S. core inflation was also up 1.4% from January of 2020.

The U.S. Federal Reserve has stated that they are willing to let inflation float above the 2% target. If inflation runs at 1.4% for a year or so, Chairman Powell has stated the Federal Reserve is willing to let inflation hover at 2.6% for a similar amount of time. The

Bank of Canada hasn't been on the same page of allowing inflation to float above the intended target. The Federal Reserve appears to have a greater tolerance for higher inflation but time will tell. Investors believe the Federal Reserve will continue to act sooner rather than later to temper inflationary pressures.

The U.S. 10-year yield reached over 1.3% on Wednesday, the highest level since February of 2020. Notice Canadian 10-year yield is actually above year-ago levels. It appears that longer term bonds are factoring in higher interest rates and an inflation risk premium. Obviously, the inflation risk premium is lowest on short term bonds. Bond yield spreads are somewhat supportive for the Canadian dollar and notice the Canadian five-year is premium to the U.S.

	2 year	5 year	10 year
Mar 26/ 20	0.590	0.752	0.842
April 30	0.307	0.384	0.547
May 28	0.305	0.408	0.559
June 19	0.293	0.375	0.524
July 16	0.263	0.337	0.503
Aug 8	0.261	0.320	0.464
Aug 14	0.307	0.436	0.641
Aug 28	0.295	0.438	0.667
Sept 10	0.264	0.359	0.563
Oct 15	0.236	0.343	0.570
Dec 2	0.266	0.472	0.759
Dec 10	0.259	0.458	0.734
Jan 9 / 21	0.259	0.458	0.734
Feb 4	0.197	0.468	0.968
Feb 18	0.220	0.597	1.136



Jan 14/21	2 year	5 year	10 year
Canada	0.164	0.448	0.847
U.S.	0.145	0.479	1.124
Spread	0.019	-0.031	-0.277

Feb 18/21	2 year	5 year	10 year
Canada	0.220	0.597	1.136
U.S.	0.107	0.550	1.284
Spread	0.113	0.047	-0.148

Bank of Canada Governor Macklem stated at the recent monetary policy meeting that if the economy and inflation play out broadly in line with expectations, the amount of quantitative easing will diminish over time. This is somewhat contrary to the Federal Reserve. Chairman Powell has reinforced the Federal Reserve's ability and willingness to maintain the $120 billion a month bond buying program for an extended time period. This quantitative easing is considered necessary to enhance economic growth according to the Federal Reserve. The U.S. will continue with an ultra-loose monetary policy through 2021.

The final difference between Canada and the U.S. is the reliance on fiscal stimulus. Members of the voting committee on the Federal Reserve have stated that large fiscal stimulus is necessary on top of the quantitative easing. The tolerance for inflation is coming on the heels of major stimulus packages. The U.S. government has passed $3 trillion in stimulus since the COVID pandemic began and another package around $1.9 trillion will likely pass by the middle of March. The difference between the U.S. aid packages in 2020 and the aid packages in 2021 is that the COVID pandemic is in the final stages. We mentioned in previous issues that the fiscal stimulus in Canada has been viewed as a tool to achieve Liberal policy goals. The recent stimulus package valued at $70 to $100 billion was quite vague on details and direct initiatives.

The U.S. stimulus package appears to be more inflationary by nature. In addition to direct payments to individuals, the stimulus package has a large focus on infrastructure. The Canadian stimulus is very vague on initiatives and focus.

The three differences we've discussed are friendly for Canadian dollar appreciation against the greenback. On top of these differences, the current economic environment is supportive for the resource-based currency. U.S. and Canadian equity markets continue to trade near historical highs. These record equity values come at time when crude oil is above $60 and poised to move higher. We've seen a drop in COVID cases and the vaccine rollout is gaining momentum.

In last week's issue, we stated that the U.S. was poised to take over as leader of economic growth and this may temper the upward momentum in the Canadian dollar. Resource-based currencies lead consumer spending-based currencies out of recession. However, once the expansionary phase of the business cycle comes to an end, consumer spending-based economies tend to fair better. The U.S. consumer is in good shape due to the aid packages so we'll likely see an increase in consumer spending in the first and second quarters of 2021. Looking forward, despite the U.S. taking over as economic leader, Canadian growth may parallel our neighbors south of the border for two main reasons.

Over the past week, economic commentaries have focused on the commodity boom or the potential for a commodity super-cycle. The environment we discussed above points to massive need for all resources. Growing demand for metals and commodities from the U.S., China and the rest of world will bode well for the Canadian economy. President Biden's aggressive solar and wind policy appears to be keeping energy prices elevated. Notice the crude oil futures are inverted which is a bullish signal. Are we at the beginning of a major bull run in the crude oil? The U.S. dependence on crude oil energy is not going to change in six months; however, U.S. production will be curtailed. There is no doubt about it. The next six months are bullish for commodities and equity markets. Inflation will likely be more of a concern by the fall of 2021.

The second reason that Canada won't lag the U.S. is because both countries are now on a similar playing field. Both countries have left wing fiscal and government policy. Under President Trump, there was a large discrepancy between Canadian and the U.S government policy; former President Trump favored energy development and of course he initiated tax cuts. Under President Biden, the difference is not as severe. For example, President Biden is going to increase corporate taxes and personal taxes on higher income individuals. The higher energy costs will be a tax hike for the lower income bracket. The aggressive green energy policy will result in severe layoffs in the energy sector which has started with the cancellation of the Keystone XL pipeline.

Over the next six to eight months, it appears that economic growth in U.S. and Canada will continue in tandem. Equity markets are expected to trend higher in the first half of 2021. The high correlation between the Canadian dollar and the Dow will continue. Demand for metals and commodities will increase as U.S., China and the rest of world continue economic expansion. U.S. consumer spending is expected to reach all-time highs in the second quarter because of the direct cheques of $1,400 and the jobless benefit. (This alleviates the concern over high unemployment.) The U.S. economy is basically running on all cylinders with turbo. Crude oil could reach up to $70 to $80 through the main summer driving season. This economic environment is bullish for the Canadian dollar.

In the fall of 2021, the U.S. stimulus package comes to an end. At that time, we'll have a better idea on the timeline for the proposed Biden corporate tax increases and the tax hikes on higher income earners. We'll also have a better idea of inflationary pressures and a better idea how the energy policy is developing in the U.S. Both Canada and the U.S. have a negative fiscal situation. It depends how governments handle this situation longer term but it is a red flag.

In the short term, we view dips in the Canadian dollar as buying opportunities. We're looking for Canadian dollar appreciation to the range of 83 to 85 U.S. cents over the next six months.

Live Cattle		Weekly Change	Feeder Cattle		Weekly Change	Canadian Dollar		Weekly Change	Corn Futures		Weekly Change
Feb 2021	115.925	-1.275									
April 2021	123.675	-1.500	Mar 2021	139.125	-1.725	Mar 21	0.79270	0.00565	Mar 2021	5.4275	0.0400
June 2021	120.525	-0.775	May 2021	145.725	-0.575	June 21	0.79250	0.00535	May 2021	5.4175	0.0525
Aug 2021	118.425	-1.250	Aug 2021	153.900	0.300				July 2021	5.3300	0.0800
Oct 2021	121.350	-0.575	Oct 2021	155.550	0.425				Dec 2021	4.6000	0.1125
Dec 2021	124.625	0.525	Nov 2021	156.000	0.725						
Feb 2022	126.575	1.000									
April 2022	127.600	1.150									

Charts and Quotes Courtesy of DTN Prophet X.

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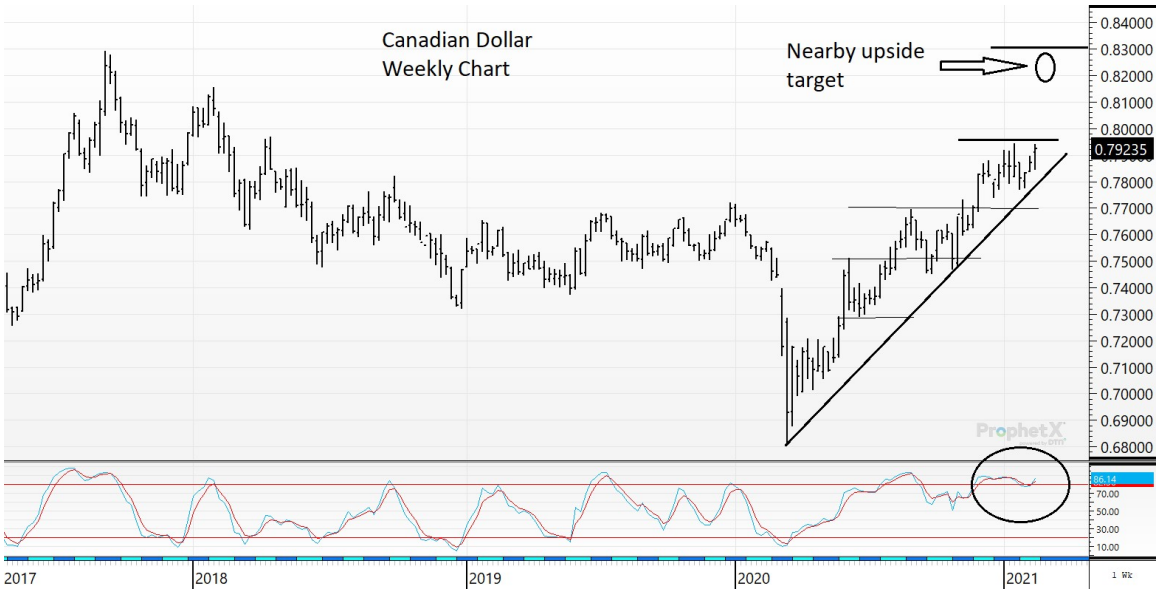
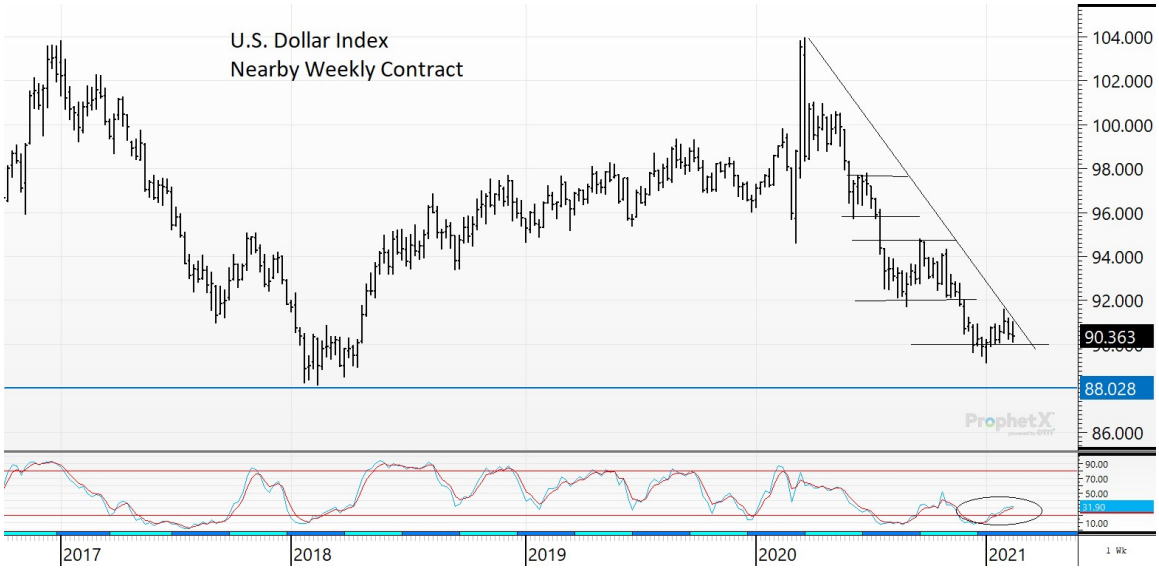
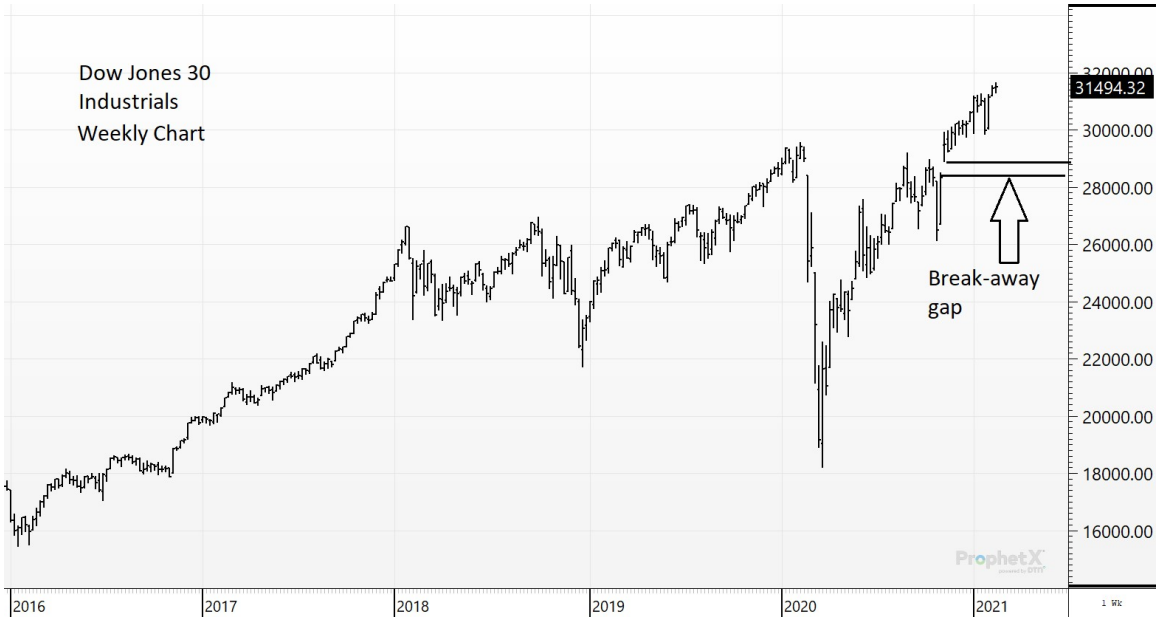


The weekly Canadian dollar has developed a pattern. Notice how the market consolidates for a about eight to 10 weeks and then makes another leg higher. There is resistance at the 0.8000 level. A move above here would put the range of 0.82 to 0.83 as the next upside target. The stochastics have turned higher reflecting upward momentum. The trendline is very concrete with three touches of the market. We would need to see a close below 0.7700 to confirm the pattern is broken and the trendline is breaking. The trend is your friend.

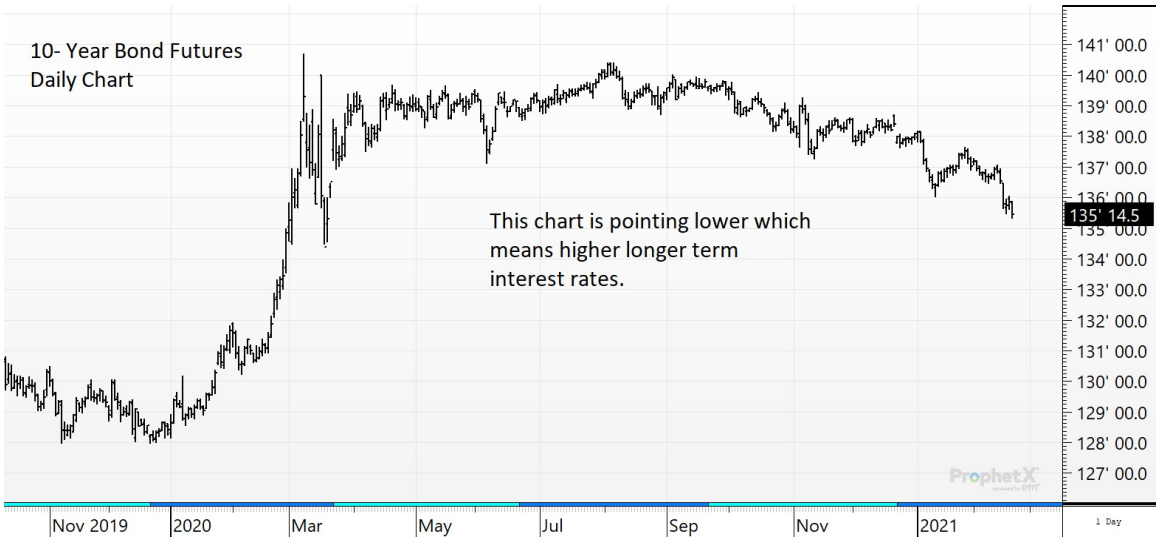


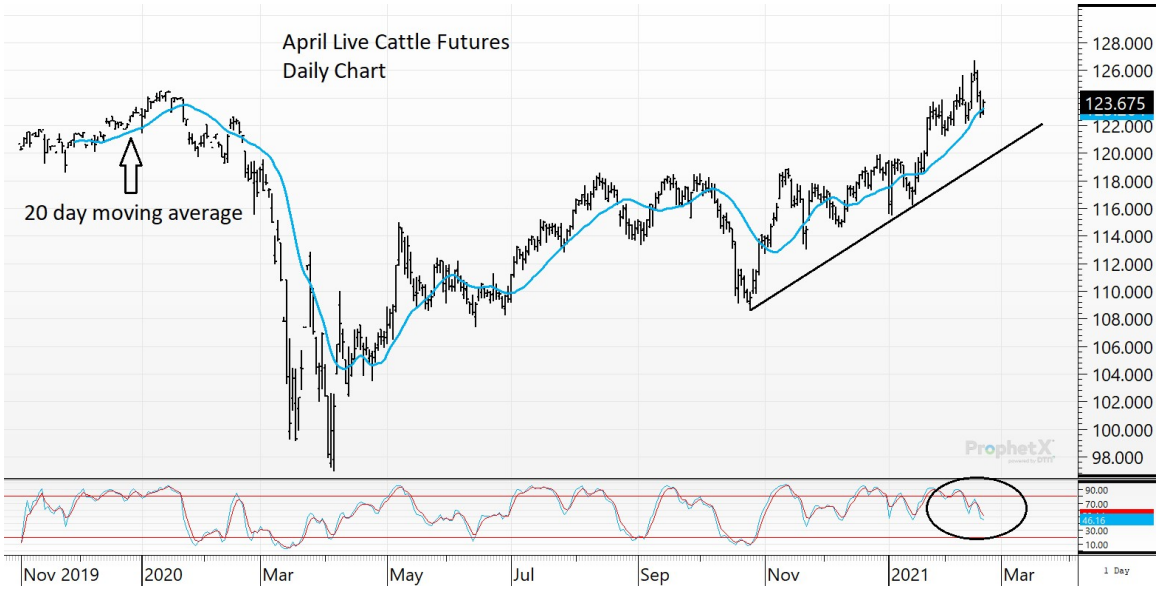
The U.S. dollar index almost fooled us a couple weeks back because it looked like it was breaking the trendline. However, the trendline remains in place and the pattern continues. Similar to the Canadian dollar, the U.S. dollar index moves through consolidation phases before making another leg lower. The stochastics appear to be turning over and this is a more reliable signal in a downward trending market. We're looking for the U.S. dollar index to drop to the 88.00 area.

Crude oil has been trading around the $60 level this week. After making a leg higher, the market will have a pullback or move into a consolidation phase. We're seeing a decline in U.S. inventories and we're moving into the high demand driving season. U.S. production is expected to decline. The April crude contract closed at $59.26; the May closed at $59.06 and the June contract closed at $58.66. The inverse in the market is a bullish signal. This will be supportive for the Canadian dollar.



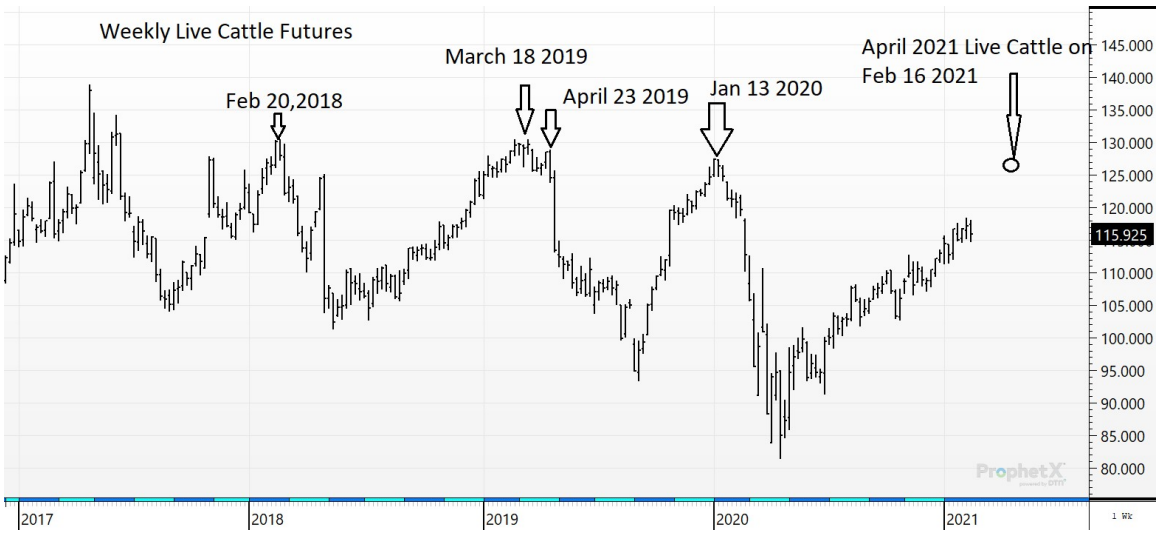
The Dow Jones had a steady close on the weekly chart. We continue to view the gap in the range of 28,500 and 28,900 as a break-away gap. The market appears to be setting up for a significant move. The range of 33,000 to 34,000 is the near-term upside target. Longer term technicians will use the measure from the pre-COVID high of 29,000 to the dip of 22,000 and use the 7,000 measure to project upside above the 29,000 level. This would put the 36,000 level as the longer-term upside target. The equity markets and the crude oil appear to have further upside which should cause the Canadian dollar to also ratchet higher.



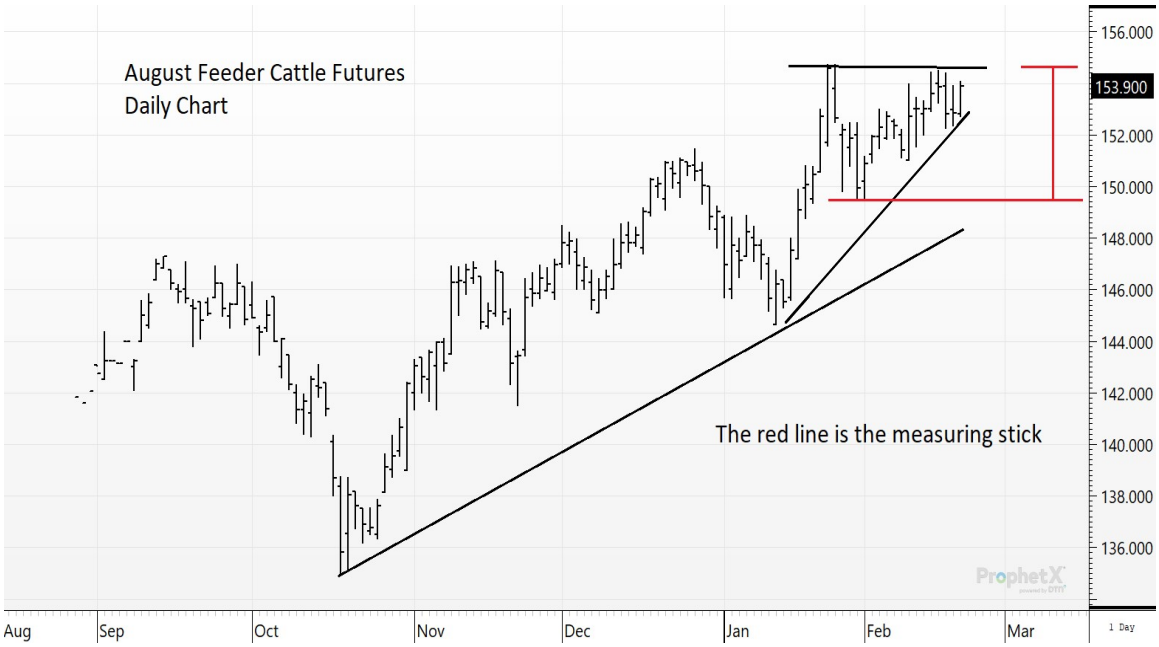


April live cattle futures have resistance at the $126 area which is contract highs; the $122 level and the 20-day moving average are considered minor support while major support is at $120. We have to watch how the market behaves at the current levels. The trend is still upward and there is no signal the market is turning over. The pattern with the stochastics also shows that buyers start to come into the market when this indicator is at the current levels. This pattern needs to hold or we can say the dynamics of the market structure is changing.

The December 2021 live cattle is poised to make another leg higher. The market had a very strong close for the week and the market is testing the resistance at $124.75. Notice the market has bumped up against this level numerous times and the upward trendline is holding. We're looking for December 2021 live cattle to make a $4 to $6 move to the upside. **<u>This is the main factor driving the cash feeder market in Western Canada.</u>**



The Weekly live cattle chart above is self-explanatory. Assess the risk reward in the short term given the current risks in the market. The April live cattle futures are near the highs we've seen in the past three years.



The August feeder cattle is forming a large pennant formation. The red line is the measuring stick. We measure the range from $150 to $154 to project the upside target on a close above the $154 level. If the market closes above $154, the next upside target is $158. The market has been making higher highs and higher lows. Sellers are backing away at the higher levels.