

# Daily Livestock Report

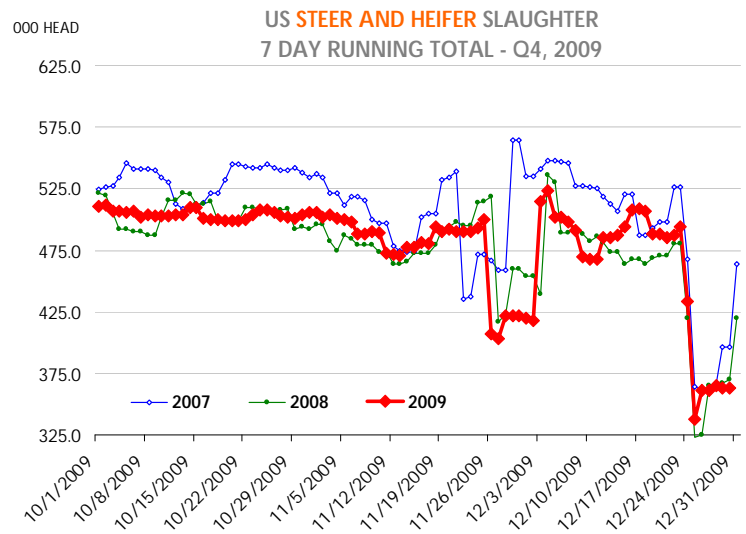
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## Market Comments

Please note that due to the holiday weekend, USDA did not publish its weekly production summary on Friday. The data will become available on Monday and we will update our regular weekly supply and price table in the Tuesday edition of this report.

**Cattle futures closed the year on a strong note as prices paid for cattle were much higher than in early December.**

In the short term, markets remain concerned that cold weather and muddy pens will negatively impact cattle availability going into January. USDA publishes preliminary weekly slaughter and carcass weight data each week and then actual numbers two weeks later. The latest actual steer and heifer carcass weight data is for the week ending December 19 and it shows that the average steer carcass weights were 843 pounds of dressed weight. This is 10 pounds lighter than just two weeks ago and also 8 pounds or 1% lower than the comparable week a year ago. In addition to the lighter cattle coming to market and concerns about supplies going into January, the beef market also tends to benefit at this time of year by short slaughter weeks over the holidays. With Christmas and New Year's day falling on a Friday, this year assured two relatively long holiday weekends. There are also early indications that sales over the holidays were generally better than they were a year ago. This likely helped the beef industry, at least at the retail level. Foodservice demand, on the other hand, continues to be spotty in our opinion. One item we look at to gauge beef demand at foodservice as well as home holiday parties is the price of choice steaks. On average, choice steak prices were steady to lower in December and prices were especially weak towards the end of the month, with very limited demand in the spot market. For items like choice tenderloins, prices were barely above the depressed levels of a year ago but they are still some 17% lower than five year average levels. Other choice steak items were also weak, contributing to overall weak cutout values.



Going into January, beef demand will remain a concern and offset some of the bullish supply factors. Ground beef and cheaper beef cuts tend to be the focus of grocers looking to feature beef in January and February. Ground beef prices will likely benefit not simply because of the seasonal pick up in demand but also because domestic cow meat supplies and imported beef supplies this January will likely be smaller than a year ago. The latter is especially important as imported beef shipped in November and December tends to fill the hole created by seasonally smaller US domestic cow slaughter in January. This year, however, the supply of imported beef in the pipeline is especially light, which means that both foodservice and retail customers will have to compete more aggressively for fresh grinding beef supplies.

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