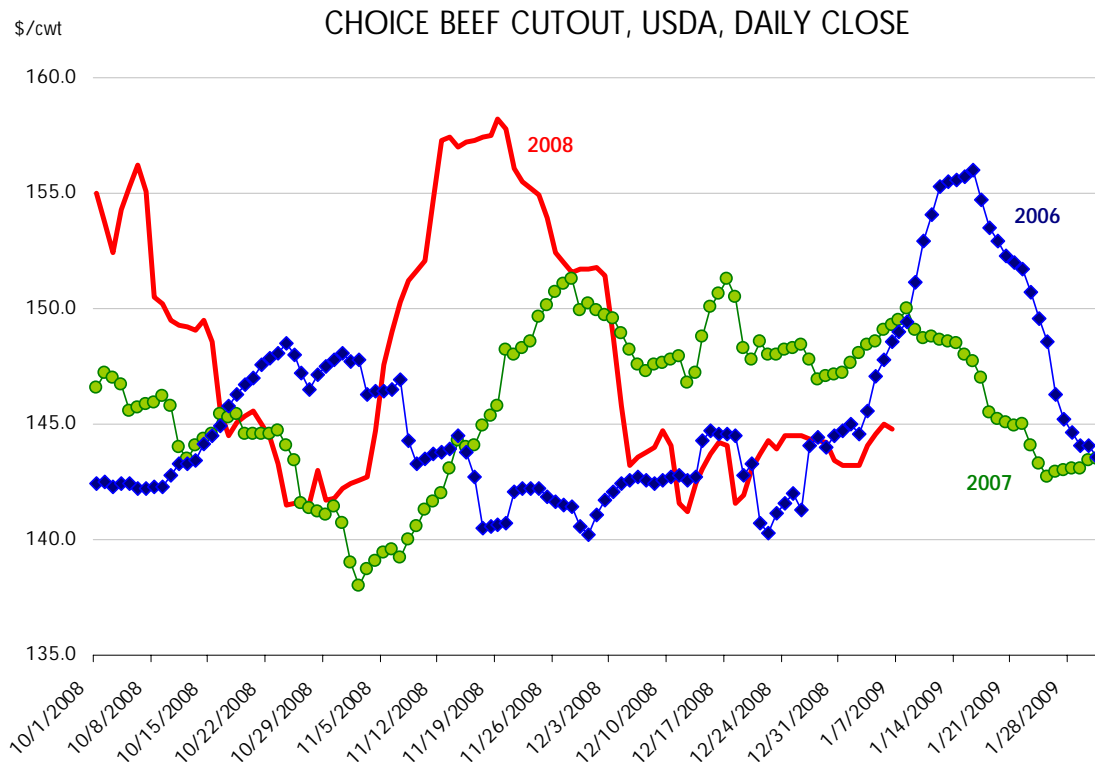


## Daily Livestock Report



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<u>E-Livestock Volume</u>	<u>6-Jan</u>	<u>5-Jan</u>	<u>30-Dec</u>
LE (E-Live Cattle):	19,607	8,186	7,174
GF (E-Feeder Cattle):	1,158	803	661
HE (E-Lean Hogs):	18,290	11,950	6,458

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### Market Comments

**Live cattle and hog futures were notably higher on Tuesday on the back of a generally more positive trading environment in commodities, and especially strong gains in grain futures.** Corn futures gained over 16 cents in the session while soybeans were up as much as 30 cents. Corn prices have now gained over \$1 compared to early December levels, quickly changing the dynamic in the livestock complex. And while feeder cattle futures were down on the day on Tuesday, feeder futures also have staged a similar turnaround, currently trading about \$8 per cwt higher than in early December. So far commodities appear to be buoyed by a number of factors, the most significant being a somewhat tentative return of the appetite for risk. To be sure, we are still far from the devil may care attitude that saw prices for many commodities hit record levels last summer. However, the infusion of liquidity in the US and other developed economies as well as very low returns for government paper has the market looking again at opportunities for higher returns.

**Some of the talk in the market on Tuesday focused on the improvement in beef cutout values as part of the reason for the 100 point gain in nearby live cattle futures.** As the chart to the left shows, the recent performance of wholesale beef prices has been somewhat more steady than in the first half of December but values remain below 2006 and 2007 levels. But, the market seems to believe that sooner or later the decline in feedlot inventories will show up in beef values. As for pork, domestic demand is expected to be relatively good given the US consumer shift towards less expensive protein but exports will remain a question mark. In the case of beef, given the recent discrepancy between the weekly and monthly USDA export data, it is hard to get a good grasp as to how exports are performing. There is some talk that exports to Korea may be stabilizing somewhat after a sharp drop-off in November. The Korean won lost significant ground against the US currency in the fall but has since recovered somewhat and its value is up 10% against the US dollar compared to early December. Also, tighter overall beef supplies and seasonally strong demand for items such as chucks and rounds should allow packers to put more money on these cuts, boosting overall cutout levels.