

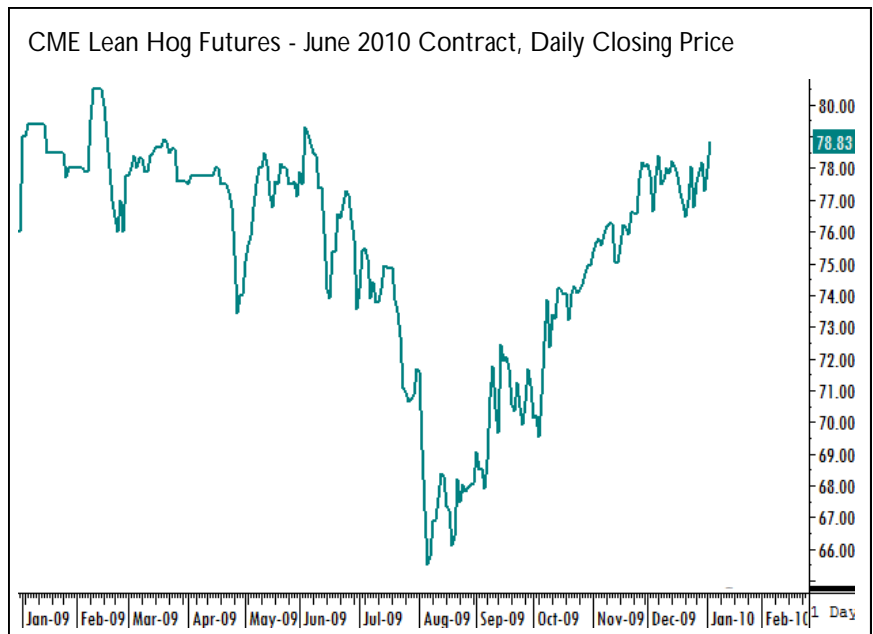
# Daily Livestock Report

Vol. 8, No. 3/ January 6, 2010

## Market Comments

Following up on our discussion yesterday of the Taiwan decision to amend its beef import protocols, a few more details have come to light that are worth pointing out. It was widely believed that the new protocols would re-impose the ban on US bone-in beef and it appears that will not be the case. According to the US Meat Export Federation the new protocols proscribe that beef shipments to Taiwan should come from cattle 30 months or younger and they do not allow any shipment of ground beef or beef offal. However, **bone-in beef can still be exported** provided it comes from young animals. It is an important point since it further reduces the impact of these new regulations on actual trade and it should allow US beef shipments to this market in 2010 to surpass 2009 levels.

**Hog futures markets continue to trade very firm and the nearby lean hog futures contract closed on Tuesday at \$67.60/cwt, some 175 points higher than the day before.** Other lean hog contracts were also higher and, as the chart below shows, the hog market appears to have fully climbed out of the hole that it dug last summer. There is no shortage of opinion as to why hogs are trading so firm despite the lack of support from the latest inventory report. Weather is often cited as a primary reason for the recent run-up, especially given some of the coldest temperatures in years across much of the Midwest. With back to back major snow storms, packers are thought to be short bought and the treacherous road conditions are believed to be slowing down the flow of animals to plants. But, there should be minimal impact on hog carcass weights from the cold weather and the transportation issues are quite transitory and they only time shift hog sales. Others have contributed some of the bullishness in the hog and cattle markets to funds jumping into the market into the New Year and increasing their exposure to agricultural commodities. That may be the case although as always it is one of those often quoted but hard to measure factors. Finally, and more importantly our view, **one has to account for the strong demand, both domestically and in export markets.** The pork cutout closed on Tuesday above \$68/cwt, and we have not seen these kind of January pork prices since 1997. One item supporting overall cash pork prices are hams. Usually, ham prices tend to drift lower after the holidays and they are down from late November levels but they remain notably higher than a year ago. Pork export demand, especially from Mexico, is said to be in very good shape while domestic pork sales also seem to be good, with retailers continuing to focus on value items, such as pork loins.



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