

Daily Livestock Report

Vol. 8, No. 11/ January 19, 2010

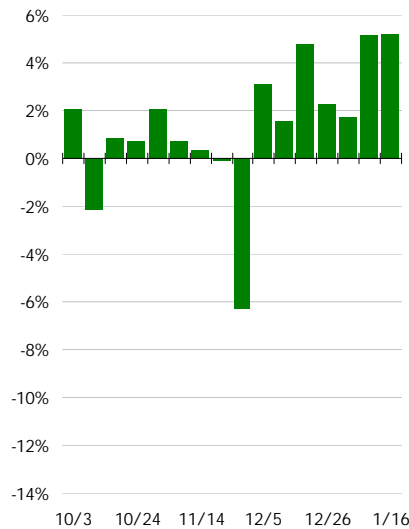
Market Comments

Pork prices closed the week on a very strong note, a result of tight pork supplies as well as good demand from both export and domestic markets. The pork cutout for the week was quoted at \$72.69/cwt, 4.9% higher than the previous week and 27.2% higher than the comparable week a year ago. This is the highest January cutout value since 2005 and will tend to support hog prices this week. The IA/MN hog carcass price last week was pegged at \$65.71/cwt, slightly lower than the week before. However, the cash hog carcass price last Friday traded at a little over \$68 and the Monday hog carcass price was quoted at \$67 (wt avg. USDA), an indication of the packer's willingness to raise their bids in light of improving margins. As to whether the current rally in hogs will be sustained is a matter of debate, however. Much of the strength in the pork market has been a result of sharply higher prices for pork trimmings and very strong ham values. The market for pork loins has been

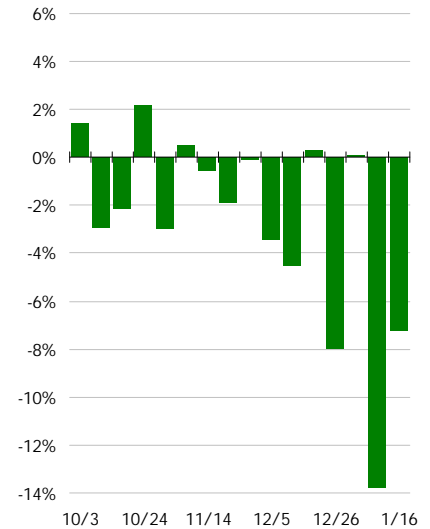
somewhat disappointing but not altogether unexpected given the continued weakness of meat retail at retail markets. The market for pork trim is especially tight and the chart above should give some indication why trim values have become so expensive in recent weeks. Pork production is down sharply in the last two weeks, a result of smaller slaughter due to weather related product flow disruptions and notably lower hog carcass weights. There is some debate as to how many hogs we actually have on the ground. The hog slaughter data since December has not matched up well with the USDA Hogs and Pigs report, even after adjusting for the lower imports of Canadian hogs. Some argue that hogs must be backing up due to the transportation problems across much of the Midwest. If that was the case, however, hog carcass weights would be trending higher and we have seen the opposite, with hog weights for the lat reported week unchanged from the week before and down 1.5% vs. last year. But we need another week or two of slaughter before we begin casting too much doubt on the USDA numbers published on December 30.

Beef production, on the other hand, has been well above year ago levels for much of December and January. Cattle slaughter for the week ending January 16 was 652,000 head, 5.7% higher than a year ago. Part of the reason for the higher cattle slaughter is the increase in the number of cows coming to market. The cow slaughter data is reported with a two week lag but we estimate that since December, US cow slaughter was 37,500 head or 4.6% higher than a year ago, accounting for about a quarter of the overall increase in US cattle slaughter. Steer and heifer slaughter remains the primary driver behind the increase in cattle numbers but, with tighter inventory numbers and lighter weights, beef production likely will drift lower into February and March, thus helping sustain the nascent rally in cattle.

Beef Production, Y/Y % Change



Pork Production, Y/Y % Change



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PRODUCTION & PRICE SUMMARY

		Week Ending					1/16/2010		
Item	Units	Last Week	Prior Week	Pct. Change	Last Year	Pct. Change	2010 YTD	Y/Y % Change	
		16-Jan-10	9-Jan-10		17-Jan-09				
	FI Slaughter	Thou. Head	652	640	1.88%	617	5.71%	1,345	-3.4%
	FI Cow Slaughter **	Thou. Head	105	94	12.07%	99	6.25%	105	6.2%
C	Avg. Live Weight	Lbs.	1295	1288	0.54%	1306	-0.84%	1,294	-1.0%
A	Avg. Dressed Weight	Lbs.	778	779	-0.13%	782	-0.51%	779	-0.5%
T	Beef Production	Million Lbs.	505.6	497.0	1.73%	480.6	5.20%	1,044	-3.8%
T	Live Fed Steer Price	\$ per cwt	84.97	84.82	0.18%	83.56	1.69%		
L	Dressed Fed Steer Price	\$ per cwt	136.91	136.74	0.12%	135.32	1.17%		
E	OKC Feeder Steer Price	619-700 Lbs.	97.00	96.04	0.99%	97.58	-0.59%		
	Beef Cutout Value	619-900 Ch.	144.91	140.23	3.34%	149.78	-3.25%		
	Hide/Offal	\$/cwt	9.38	9.31	0.75%	6.87	36.54%		
	FI Slaughter	Thou. Head	2,176	2,099	3.67%	2,310	-5.80%	4,518	-15.6%
	FI Sow Slaughter **	Thou. Head	43.9	43.7	0.53%	47.8	-8.08%	44	-8.1%
H	Avg. Dressed Weight	Lbs.	202.0	202.0	0.00%	205.0	-1.46%	202	-1.1%
O	Pork Production	Million Lbs.	438	422.7	3.62%	472.3	-7.26%	910	-17.0%
S	Iowa-S. Minn. Direct	Wtd. Avg.	65.71	65.93	-0.33%	58.72	11.90%		
S	Natl. Base Carcass Price	Wtd. Avg.	64.78	63.45	2.10%	57.93	11.82%		
	Natl. Net Carcass Price	Wtd. Avg.	67.12	65.79	2.02%	60.20	11.50%		
	Pork Cutout	185 Lbs.	72.69	69.29	4.91%	57.17	27.15%		
C	Young Chicken Slaughter *	Million Head	164.6	129.9	26.74%	166.8	-1.33%	165	-1.3%
H	Avg. Weight	Lbs.	5.62	5.62	0.00%	5.58	0.72%	5.62	1.1%
I	Chicken Production	Million Lbs.	925.0	729.9	26.74%	930.8	-0.62%	925	-0.3%
C	Eggs Set	Million	201.8	202.4	-0.31%	201.8	-0.02%	404	-0.1%
K	Chicks Placed	Million Head	166.7	169.3	-1.52%	168.2	-0.91%	336	-0.2%
E	12-City Broiler Price	Composite	81.95	80.47	1.84%	82.56	-0.74%		
N	Georgia Dock Broiler Price	2.5-3 Lbs.	82.45	82.24	0.26%	86.34	-4.51%		
T	Young Turkey Slaughter *	Million Head	4.249	3.194	33.03%	4.697	-9.54%	4.249	-9.5%
U	Avg. Weight	Lbs.	30.60	30.6	0.00%	30.28	1.06%	30.60	-1.1%
R	Turkey Production	Million Lbs.	130.0	97.7	33.03%	142.2	-8.58%	130	-10.5%
K	Eastern Region Hen Price	8-16 Lbs.	76.00	77.30	-1.68%	70.00	8.57%		
G	Corn, Omaha	\$ per Bushel	3.46	3.99	-13.28%	3.76	-7.98%		
R	DDGs, Minnesota	\$ per Ton	100.00	99.00	1.01%	122.50	-18.37%		
A	Wheat, Kansas City	\$ per Bushel	4.46	4.94	-9.72%	5.69	-21.62%		
I	Soybeans, S. Iowa	\$ per Bushel	9.22	9.72	-5.14%	NQ	N/A		
N	Soybn Meal, 48% Decatur	\$ per Ton	311.40	326.50	-4.62%	304.50	2.27%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.