

Daily Livestock Report

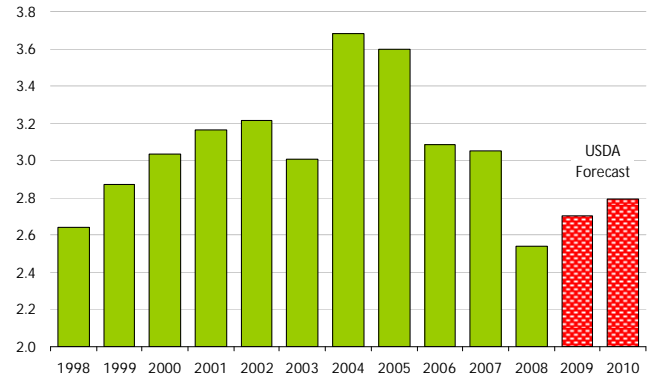
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Market Comments

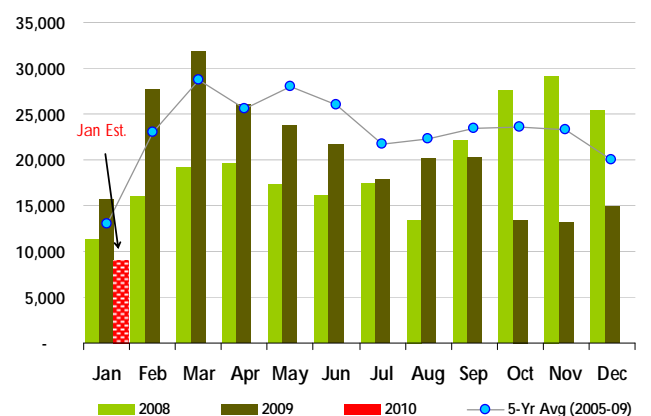
It used to be that whenever beef and cattle prices took a tumble, higher imports were one of the favorite reasons why. Not so in 2009. **Beef and cattle prices drifted lower for much of the second half of last year despite relatively small imports.** USDA currently forecasts that 2009 US beef imports were 2.7 billion pounds, some 6% higher than the particularly low levels registered in 2008 but still **15% lower than the five year average.** Indeed, if anything, the USDA projection for 2009 may be a bit too optimistic and could end up being even lower if our forecast for a 17% decline in US December beef imports materializes. For much of the second half of last year, which is when we also saw US beef prices drift lower, imports actually declined compared to 2008 and were at some of the lowest points in over a decade. Much of the reduction was due to sharply lower imports of Australian beef. Shipments of Australian beef to the US market in Q4 of 2009 were down about 50% from the previous year and 45% lower than the 2004-08 average (see bottom chart). Based on preliminary data for January, we expect Australian beef exports to the US this month to remain especially light and there is little reason to see any meaningful rebound in Australian shipments to the US. **The currency situation remains a significant impediment.** Australian beef prices in the US market are currently about 19% higher than a year ago, which normally would have encouraged higher imports. However, when converted in Australian dollar equivalent, prices for Australian beef in the US market are actually down 18% from a year ago. Also, in the short term supplies of Australian beef imports will also tend to be lower due to improving pasture conditions in that country as well as better demand from other markets, especially Asia, which is buying not just beef cuts and grinding beef but also live animals.

Imports from other markets are also relatively light. Uruguay, which provided a significant boost to imports in 2005, 2006 and 2007, has been for the most part absent from the US market in the last two years and that is not expected to change this year, especially if the EU maintains its restrictions on Brazilian beef. New Zealand and Canada may ship a bit more beef to the US but, again, the currency will remain a constraint. USDA currently forecasts that 2010 US beef imports will be 2.8 billion pounds, up a modest 3.4% from last year - a modest increase which may not materialize after all.

ANNUAL US BEEF IMPORTS
BILLION POUNDS, CARCASS WEIGHT BASIS



AUSTRALIAN BEEF EXPORTS TO THE US



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