

Daily Livestock Report

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Market Comments

USDA will release today the results of its monthly survey of feedlots which had at least 1000 head of cattle on feed as of January 1, 2010.

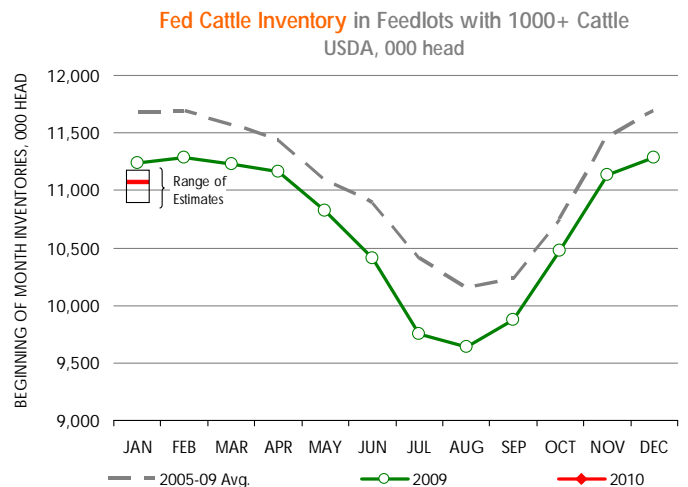
The survey is expected to show that a combination of light placements in December and higher year over year marketings further reduced overall feedlot supplies. As is often the case, placements remain a focus of the upcoming report and the reported range of estimates is quite wide. The table to the right shows the results of the analyst survey conducted by Dow Jones. On average, analysts indicated that they expect December placements to be down 4.3% from the especially low point of Dec 2008. If such a placement number materializes, it would represent a 10.3% decline from the 2004-08 average. The survey covered 13 analysts and two of them had placements declining by more than 10% in December. While the range of placement estimates was about 13.7 points, the standard deviation was 3.7. Feedlots had little incentive to boost placements in December. Consecutive snow storms had an effect not just on the animals already on feed but also on feedlot operators ability to place more cattle. But cold winter weather is not especially new so it only accounts for part of the expected decline in placements. Just as important, in our view, was the feed situation and expectations for feed prices in the coming month. Keep in mind that for much of December corn futures continued to move higher as markets braced for possibly lower supplies due to a late harvest and lower test weights. The CME March 2010 corn futures were trading as low as \$3.83/bu in the first week of December but by the end of the month prices closed above \$4.14, with out front futures trading even higher. The effect of higher corn futures was partly offset by higher out front live cattle contracts and expectations that an improving economy and better export markets would lift beef demand in the coming months. Cattle marketings were likely higher in December. On average, the analysts polled expect marketings to be up 2.3% compared to a year ago. Based on the preliminary daily slaughter data reported by USDA, steer and heifer slaughter was up 1.7% compared to a year ago. Also important to watch in the upcoming report is the breakdown of the cattle placed on feed. While placements in the last report were sharply lower, placements of cattle 800 pounds or heavier were up 1% and it will be interesting to see if the trend towards placing heavier cattle continued in December.

Analyst Expectations of Jan USDA Cattle on Feed Report

Source: Dow Jones Survey

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jan 1	98.5%	11,065	97.0% - 99.3%
Placed on Feed in Dec	95.7%	1,576	85.9% - 99.6%
Marketed in Dec	102.3%	1,722	99.2% - 103.5%

Note: All % are comparisons to year ago levels



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