

Daily Livestock Report

<u>E-Livestock Volume</u>	<u>27-Jan</u>	<u>26-Jan</u>	<u>20-Jan</u>
LE (E-Live Cattle):	10,494	5,533	13,631
GF (E-Feeder Cattle):	1,119	601	992
HE (E-Lean Hogs):	13,584	10,544	12,046

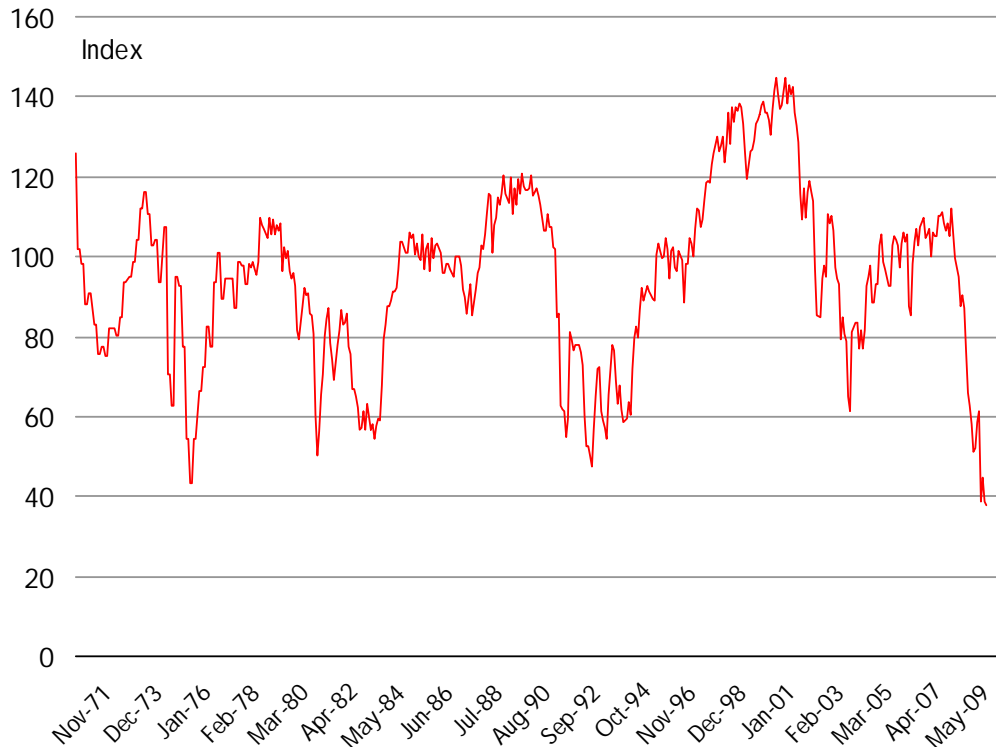
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Market Comments

Livestock markets plummeted on Tuesday on continued negative news on the state of the US and global economy. The consumer confidence index, which was started in the early 1970s, is currently at the lowest point ever. The January reading of the index stood at 37.7, down from the previous all time low of 38.6 for December 2008 and down some 75 points from the peak of the last growth cycle in April 2007. While this may not be the biggest point drop from peak (the index was down some 83 points from Feb 2000 to Dec 2002), the rapid descent in consumer sentiment has been unprecedented in the past thirty years. Also, different from what happened in the last recession, it is generally agreed that this time it will be much more difficult to clean up the effects of the asset bubble that developed in the first half of this decade. Global growth also continues to deteriorate, with some now forecasting growth in China at just around 5% and growth in Russia at less than 2%. The economy in the Euro area for 2009 is currently estimated to contract by 1.5% while the Japanese economy is expected to decline 1%.

The reaction of livestock futures to the wave of negative news on Tuesday was understandable but it remains to be seen whether this means another step down in overall livestock values. Markets were buoyed in December following the improvement in equity values and tightening meat supplies. But, since the beginning of the year, summer cattle futures (June contract) have declined some 400 points while summer hog futures (June contract) are down some 850 points. The decline in hog futures has been much more significant for the simple reason that the export outlook for pork has deteriorated significantly. However, one needs to keep in mind that at \$73, summer lean hog futures are not exactly priced at depressed levels, rather the reduction in futures values since December reflects the removal of premiums built following the supply cutbacks. As for cattle, the market continues to struggle with the sharp contraction in demand from foodservice operations but also slower sales of high value beef cuts.

Looking for a Bottom
Conference Board Consumer Confidence Index



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