

## Daily Livestock Report

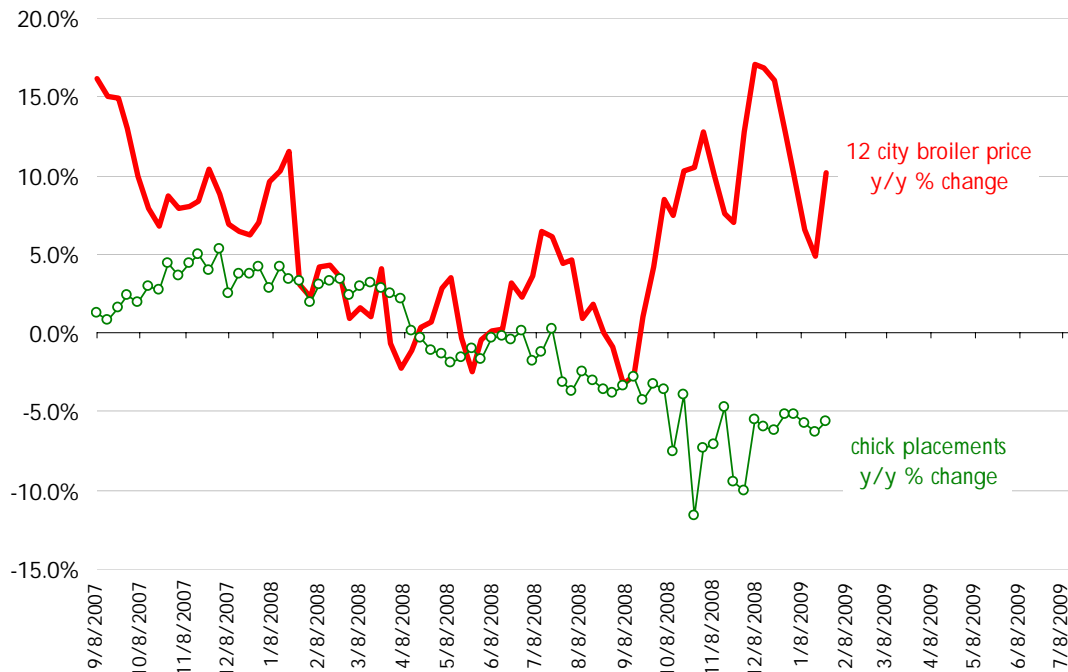
<u>E-Livestock Volume</u>	<u>28-Jan</u>	<u>27-Jan</u>	<u>21-Jan</u>
LE (E-Live Cattle):	11,245	10,494	14,332
GF (E-Feeder Cattle):	953	1,119	1,808
HE (E-Lean Hogs):	14,129	13,584	10,941

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### Market Comments

The US broiler industry continues to be hampered by poor foodservice sales, the bankruptcy of its largest operator as well as the hangover of hedging grain costs last summer. Having said that, it is important to point out that **the sharp deceleration in growth appears to be having an effect.** The industry began to cut back the number of chicks placements for grow out last fall. Since then, **the 12 city broiler value, a composite price of whole bird carcasses, has appreciated by more than 15% and currently is trading 10% above year ago levels.** Keep in mind that the broiler price today is a reflection of chick placements about 12 weeks ago. USDA released its latest update on egg sets and chick placements on Wednesday afternoon, which showed that the industry continues to cut back on supplies. Egg sets were pegged at 201.358 million, 7.5% less than a year ago. For the past 6 weeks, egg sets have been on average 6.8% lower than a year ago. Chick placements for the week ending January 24 were pegged at 167.7 million, 5.6% lower than a year ago. In the past six weeks, chick placements have averaged 5.7% below year ago levels. The latest data implies that the reduction in broiler supplies will continue at least through the first quarter and should help bolster prices for whole broilers and broiler parts. The price of chicken breasts will be a good barometer as to how quickly the industry returns to profitability (some may already be there). Chicken breast prices were trading some 20% below year ago levels back in November (even when whole broiler prices were posting strong year over year increases). Since the beginning of the year, however, chicken breast values have increased some 30% and are currently at par with year ago levels. As chicken breast prices move up in value, this should be supportive of other meat items that compete directly with chicken breast meat in the retail counter, especially pork chops, ground beef and lower valued beef cuts. Chicken export markets continue to be very important. If exports languish, it would cause leg quarter prices in 2009 to be much lower than in 2008, in turn causing broiler producers to maintain their conservative stance on growth and further supporting prices for competing meats. Chicken remains the most widely available meat protein in the US and cutbacks in production, when coupled with reductions in beef and pork supplies will tend to put a floor underneath meat protein values.

WEEKLY 12 CITY BROILER PRICES, Y/Y % CHANGE VS.  
WEEKLY CHICK PLACEMENTS, Y/Y % CHANGE



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