

Daily Livestock Report

Market Comments

USDA released on Friday, January 30, the results of its semi-annual survey of the US cattle and calves inventory as of January 1, 2009. Pre-report estimates were looking for **a continued decline in US cattle inventories and the USDA survey not only confirmed that expectation but showed that the decline in inventories has been notably larger** than earlier estimates. In addition, USDA revised lower its cattle numbers reported for January 1, 2008, making the overall cattle numbers as of January 1, 2009 even lower than previously expected.

Total cattle and calves inventory as of January 1, 2009 was pegged at 94.491 million head, 1.6% lower than a year ago. Pre-report estimates were looking for a 0.7% decline in overall inventories. USDA also revised lower its 2008 inventory numbers from 96.663 million head to 96.035 million. This means that current inventories are down 2.2% or 2.172 million head than previously thought. We think the USDA adjustment is quite large and coupled with the larger than expected reduction in overall inventories it makes for a more bullish outlook for US beef prices going forward. The current cattle inventory is the smallest since January 1, 1959 (see chart).

The report showed that **US cow-calf operators were quite aggressive in reducing the overall US beef cow herd in 2008** as well as limiting the number of heifers (animals that have not yet produced a calf) that are added to the beef cow herd. Total US beef cow inventories as of January 1, 2009 were 31.671 million head, 764,000 head or 2.4% smaller than a year ago. USDA also lowered the previous estimate of the US beef cow herd by 118,000 head, further amplifying the impact of the decline. As for dairy cows, strong dairy prices for the first three quarters of 2008 caused the dairy industry to moderately increase dairy cow numbers, with the dairy cow inventory gaining some 76,000 head or 0.8% compared to a year ago.

Bottom line: While cattle inventory numbers do not generally tend to have an immediate impact on markets, the latest USDA survey should be seen as quite bullish for US beef prices going forward and could help shift the generally dour attitude in the cattle futures complex as markets open on Monday. The report points to a significant contraction in the US beef output for the next two to three years and, if current trends in US cow liquidation continue, we could face an even smaller US cow herd at the end of 2009.

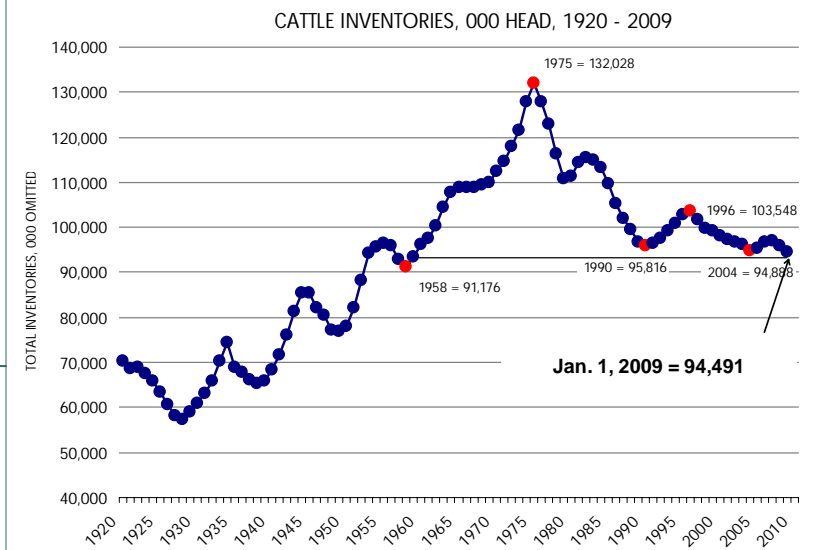
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E-Livestock Volume	30-Jan	29-Jan	23-Jan
LE (E-Live Cattle):	10,694	9,996	11,383
GF (E-Feeder Cattle):	825	1,322	735
HE (E-Lean Hogs):	9,243	10,544	10,121

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	Friday's USDA Report	Average of Analysts' Estimates	Range of Analysts' Estimates
All cattle & calves	98.4	99.3	98.9 - 99.6
Annual calf crop	98.2	99.3	98.3 - 99.7
Total cows/heifers that have calved	98.3	99.0	97.8 - 99.6
beef cows/heifers that have calved	97.6	98.8	98.5 - 99.4
milk cows/heifers that have calved	100.8	100.1	98.7 - 101.3
Heifers 500 pounds and over	98.6	99.3	98.0 - 99.7
beef replacement heifers	97.9	97.7	96.1 - 98.7
milk replacement heifers	99.9	98.3	96.5 - 98.8
other heifers	98.5	100.3	99.2 - 101.5
Steers 500 pounds and over	97.7	99.3	98.2 - 100.0
Bulls 500 pounds and over	99.0	99.3	98.0 - 99.9
Calves under 500 pounds	98.8	98.9	97.5 - 99.9



PRODUCTION & PRICE SUMMARY

Week Ending 1/31/2009

Item	Units	Last Week	Prior Week	Pct. Change	Last Year	Pct. Change	2008 & 2009 YTD	Y/Y % Change
		31-Jan-09	24-Jan-09		2-Feb-08			
C FI Slaughter	Thou. Head	631	638	-1.10%	612	3.12%	2,645.0	-10.7%
C FI Cow Slaughter **	Thou. Head	137	136	0.55%	134	2.42%	371.5	2.3%
A Avg. Live Weight	Lbs.	1,307	1,308	-0.08%	1,293	1.08%	1,307.4	1.0%
T Avg. Dressed Weight	Lbs.	783	785	-0.25%	778	0.64%	783.4	1.0%
T Beef Production	Million Lbs.	492.2	498.8	-1.32%	474.1	3.82%	2,075.5	-9.3%
T Live Fed Steer Price	\$ per cwt	80.03	81.91	-2.30%	89.47	-10.55%		
L Georgia Feeder Steer Price	600-700 Lbs.	79.54	82.86	-4.01%	92.58	-14.09%		
E Beef Cutout Value	600-900 Ch.	145.47	150.98	-3.65%	143.44	1.42%		
	Hide/Offal	6.88	6.94	-0.86%	10.30	-33.20%		
H FI Slaughter	Thou. Head	2,267	2,236	1.39%	2,273	-0.27%	9,862.0	-10.7%
H FI Sow Slaughter **	Thou. Head	63.9	71.2	-10.20%	70.5	-9.26%	183.0	-2.3%
O Avg. Dressed Weight	Lbs.	205.0	204.0	0.49%	203.0	0.99%	204.6	-0.1%
G Pork Production	Million Lbs.	463.7	455.4	1.82%	460.9	0.61%	2,015.1	-10.8%
S Iowa-S. Minn. Direct	Wtd. Avg.	58.82	59.18	-0.61%	52.87	11.25%		
	Natl. Base Carcass Price	58.54	59.02	-0.81%	54.46	7.49%		
	Natl. Net Carcass Price	60.78	61.31	-0.86%	56.81	6.99%		
	Pork Cutout	57.49	57.67	-0.31%	59.32	-3.08%		
C Young Chicken Slaughter *	Million Head	148.6	160.0	-7.16%	160.0	-7.13%	475.4	-4.3%
H Avg. Weight	Lbs.	5.48	5.40	1.48%	5.48	0.00%	5.5	0.0%
I Chicken Production	Million Lbs.	814.2	884.2	-7.91%	892.8	-8.80%	2,614.9	-4.3%
C Eggs Set	Million	201.4	203.3	-0.96%	217.7	-7.51%	809.1	-4.3%
K Chicks Placed	Million Head	167.7	167.6	0.09%	177.6	-5.58%	672.2	-5.7%
E 12-City Broiler Price	Composite	81.14	81.33	-0.23%	74.2	9.35%		
N Georgia Dock Broiler Price	2.5-3 Lbs.	86.57	86.7	-0.15%	76.7	12.87%		
T Young Turkey Slaughter *	Million Head	4.327	4.678	-7.50%	4.57	-5.32%	13.7	-3.5%
U Avg. Weight	Lbs.	30.98	29.81	3.92%	30.67	1.01%	30.7	-0.6%
R Turkey Production	Million Lbs.	134.1	139.5	-3.87%	140.2	-4.36%	420.2	-4.1%
K Eastern Region Hen Price	8-16 Lbs.	72.00	75.00	-4.00%	74.00	-2.70%		
G Corn, Omaha	\$ per Bushel	3.65	3.76	-2.93%	4.78	-23.64%		
R DDGs, Minnesota	\$ per Ton	132.50	127.50	3.92%	172.50	-23.19%		
A Wheat, Kansas City	\$ per Bushel	5.61	5.71	-1.75%	9.45	-40.63%		
I Soybeans, S. Iowa	\$ per Bushel	9.54	NQ	N/A	12.15	-21.48%		
N Soybn Meal, 48% Decatur	\$ per Ton	309.70	317.70	-2.52%	325.50	-4.85%		

* 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.