

Daily Livestock Report

Market Comments

Both live and feeder cattle futures were higher on Monday in large part due to the bullish implications of the semi-annual USDA cattle inventory report. Feeder cattle were especially buoyed by the revelation that supplies of feeder calves are smaller than previously thought. Also, the downward revisions in the beef cow herd imply a much smaller than expected calf crop in 2009. Feeder cattle futures also benefited from another negative day in the grains complex, with deferred corn futures down as much as 9 cents per bushel. Soybean meal futures also were lower and are currently hovering just a little over \$300 per ton. The combination of tighter animal supplies and lower feed prices caused March and April feeder cattle futures to close up the permissible daily limit of 300 points which deferred contracts also gained as much as 277 points (Aug). As for live cattle, the market also traded sharply higher but gave up some of the gains on continued negative macro news and losses in grains.

As cattle supplies continue to shrink, you are likely to hear a lot more about beef demand and the impact it will have on prices. Export sales are one component of the overall beef demand, but an important one since it affects both whole carcass values as well as the value of offal and other by-products. The bottom chart to the right shows that in the first three weeks of the year, US weekly beef export sales have tracked very close to year ago levels and well ahead of 2007 shipments. So far this year (Jan 2 - Jan 22), exports of whole muscle cuts are reported at 23,800 MT, 4% above the comparable time period a year ago and 45% higher than in 2007. Clearly the main reason current beef exports are above year ago levels is due to access to the Korean market. Exports to Korea in the first three weeks of the year were 4,300 MT, or 18.1% of total exports. If we were to remove those shipments from the overall total (Korean market was closed to US beef last year), the adjusted total would actually be down 15%. Shipments to Mexico, still the top market for US beef, were 8,900 MT, 19% lower than a year ago. Exports to Japan in the first three weeks of the year were 2,000 MT, 8% higher than last year while exports to Canada, which is one of the top five beef export markets, were reported at 3,000 MT, 29% lower than last year. It is important to keep in mind that the weekly beef exports do not capture all US beef shipments, only muscle cuts. So far, however, beef exports appear to be somewhat on the defensive but that could quickly change depending on what happens with the value of the US\$.

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E-Livestock Volume	2-Feb	30-Jan	26-Jan
LE (E-Live Cattle):	17,019	10,694	5,533
GF (E-Feeder Cattle):	928	825	601
HE (E-Lean Hogs):	9,780	9,243	10,544

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