

Daily Livestock Report

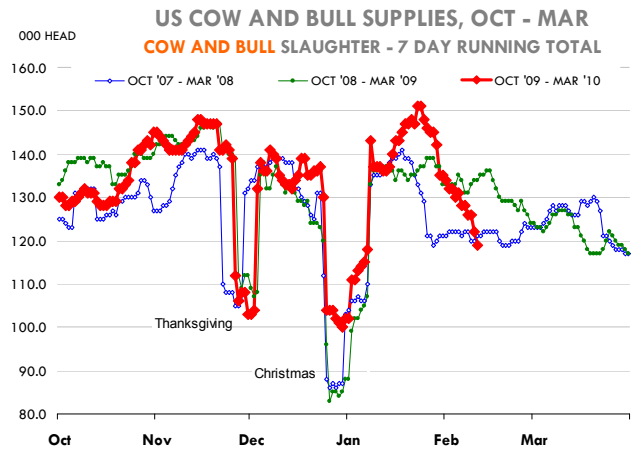
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Market Comments

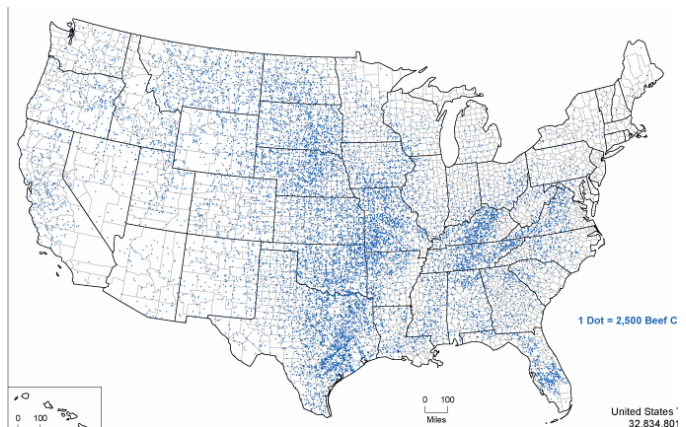
Record breaking snow storms across much of the Eastern US have negatively impacted the number of cows going to market in recent days, leading to a sharp run-up in the price of grinding beef. We keep a running seven day total (a week's supply) of daily cow and bull slaughter estimates and the most recent reading put cow and bull slaughter levels below both 2009 and 2008 levels. For the seven days ending February 11, cow and bull slaughter was estimated to be 119,000 head, some 12% lower than the comparable timeframe a year ago. In mid January, bull and cow slaughter was running as high as 150,000 head per week.

Cold weather conditions, lower carcass weights and the reduction in cow and bull slaughter has provided some **much needed support to live cattle futures**. Lower overall beef supplies have pushed the nearby February live cattle contract past the \$89 mark and nearby live cattle futures have gained over 400 points since the start of the month. That may be little consolation, however, to producers that have to contend with the challenges of keeping animals warm or packing plants that have had to reduce hours due to road closures and delayed orders. Some beef manufacturing plants along the South Atlantic and Mid Atlantic regions also had to reduce hours. For those that were still operating, getting loads in was particularly challenging. In past years, manufacturers could turn to ample supplies of imported beef sitting in cold storage warehouses in Philadelphia or New Jersey. But the imported beef pipeline is stretched very thin these days and the price of imported beef which normally trades at a healthy discount to domestic product at this time of year now is trading at par or even a premium to domestic product.

It is likely that **cow slaughter will remain tight for the next few days**. As we write this note, another major snow storm is rumbling through Texas and Southern US. Snow and cold will further stress both feedlot animals as well as beef cows, leading to lower carcass weights and further disruptions to the supply chain. One negative from the snow storms has been the reduced foot traffic at foodservice establishments. However, retail beef sales have been brisk as consumers cleaned out supermarket shelves and meat cases in anticipation of the storm. One should never underestimate the appetite of a panicked public sitting home with three feet of snow outside and enough food to supply a small army.



US Beef Cow Inventory: 1 dot = 2500 Beef Cows



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