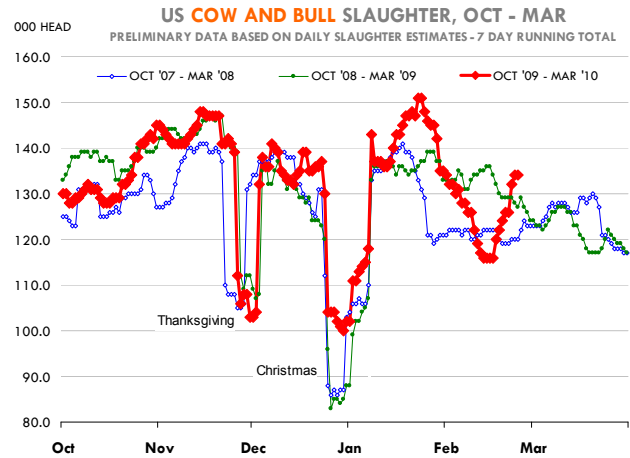


# Daily Livestock Report

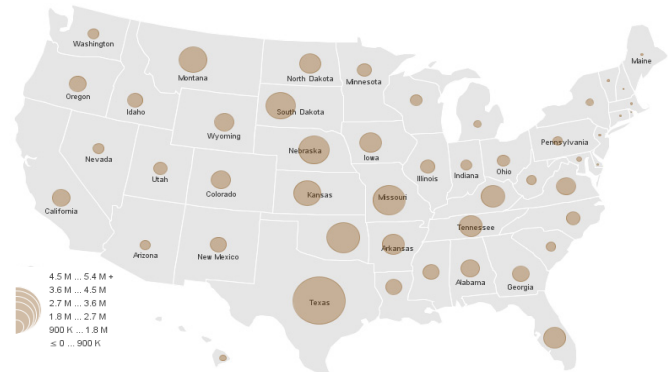
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## Market Comments

After a sharp pullback which caused grinding beef prices to move significantly higher, **US cow slaughter rates have bounced back and they are currently above year ago levels.** As the chart to the right shows, the current seven day moving total of the US daily cow and bull slaughter is above the slaughter levels established in the previous two years. Keep in mind that this is based on preliminary USDA estimates of daily cow and bull slaughter. The official weekly cow and bull slaughter numbers are published with a two week lag and those numbers may again be revised when the monthly and annual statistical summaries are published. Based on the daily estimates, however, **US cow and bull slaughter for the seven days ending February 24 was 134,000 head, 3.9% higher than the previous year.** In the same time frame, steer and heifer slaughter was 497,000 head, 0.2% higher than a year ago. The decline in cow slaughter during the first week of February was in part due to the negative impact of snow storms along the US East Coast. The storms caused significant disruptions, forcing processing plants to reduce working hours and cancel orders, which in turn led slaughter facilities to also reduce their daily slaughter. Cold weather across the Southern Plains (which account for a good portion of the beef cow herd, see map) also negatively impacted the flow of animals to market. For the moment, grinding beef markets continue to trade very firm and the price of 90CL grinding beef, often seen as a benchmark for grinding beef values in general, has shot up at the highest level since September 2008. Packer margins have also been helped by the sharp rise in the price of fat beef trimmings. Much of the attention in the beef complex is on the price of wholesale beef cuts. However, in an industry that operates with razor thin margins, the value of beef trim, a by-product of the manufacturing process, often makes the difference between a profitable or unprofitable day. Currently, the price of 50CL beef trim has hit almost \$88/cwt, the highest since September 2008. One factor contributing to the sharp rise in the price of fat beef trim is the decline in cattle carcass weights. It is a topic we have touched upon several times in recent weeks. Cattle carcass weights are currently running some 19 pounds or 2.4% lower than a year ago. It's roughly the equivalent of 19,000 fewer animals coming to market. As animals come to market with less external fat as normal, a result of the cold weather conditions and also the quality of feed, it leads to a reduction in the supply of beef trim available. Beef packer margins are back in the black, how long they stay there, however, will depend on consumer sentiment going into the grilling season.;



January 1, 2010 US Beef Cow Inventories by State



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