

Daily Livestock Report

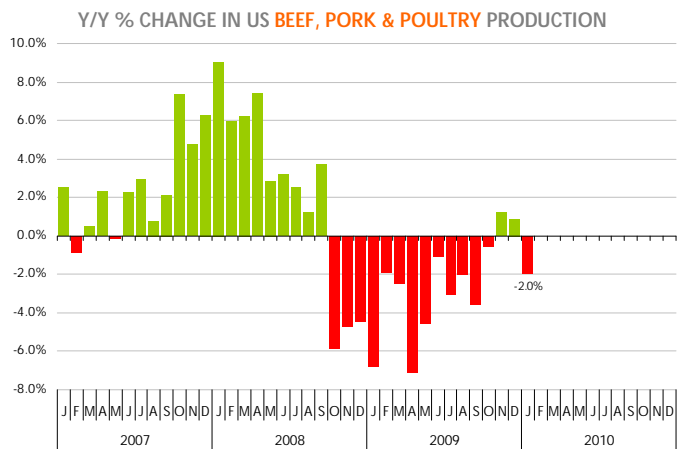
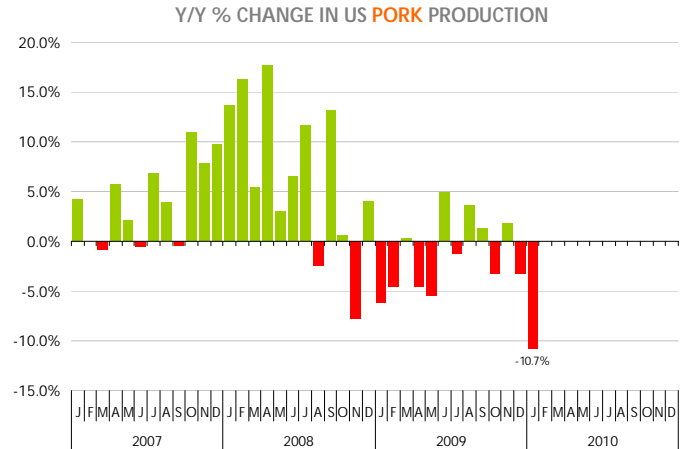
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Market Comments

Due to unforeseen circumstances, including power outages in the Northeast, this issue of the Daily Livestock Report is being released a couple of hours later than normal. We apologize for the delay. On the flip side, the delay allowed us to take a quick look at the meat supply data that was released by USDA this morning. The numbers confirm what we had seen in the markets in the last few weeks, i.e. a sharp decline in pork, beef and poultry supplies which has pushed meat prices to some of the highest levels in more than a year.

Total US pork production in January was reported to be 1.809 billion pounds, 8.9% lower than the previous month and 10.7% lower than January 2009 levels. This was the smallest January production since 2005 and it reflected a decline in both the number of hogs coming to market as well as hog carcass weights. Hog slaughter for the month was 8.903 million head, 10.3% lower than a year ago. Hog carcass weights during January were on average 204 pounds per animal, down 1 pound or 0.5% from year ago levels. The decline in US pork production during January was quite significant since we are comparing to an already low base from a year ago. January 2010 pork production was a whopping 350 million pounds or 16.2% compared to January 2008 levels. The pullback in supplies and reports of strong demand from exports markets provide a bit more context to the significant run up in pork and hog prices during the first eight weeks of 2010.

US beef production in January was reported to be 2.083 billion pounds, 1.7% lower than the previous year. Decline in beef production was mostly due to lower steer and dairy cow slaughter. Heifer slaughter in January was 814,000 head, 4.2% higher than the previous year. US cow-calf operators continue to send more heifers to market as the incentives for herd rebuilding have yet to materialize. Dairy cow slaughter in January was 232,000 head, 49,000 head or 17.4% lower than a year ago. The reduction in the number of dairy animals coming to market and reports of higher heifer retention has put significant pressure on dairy prices, with CME milk futures contracts seemingly establishing life of contract lows on a daily basis. Beef cow slaughter in January, on the other hand, was up 24,000 head or 8.4% higher than the previous year. Overall beef, pork and poultry production in January was 7.184 billion pounds, 2.0% lower than a year ago. Other than a brief increase in November and December, US meat protein supplies have been steadily declining since the start of this recession in late 2008.



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