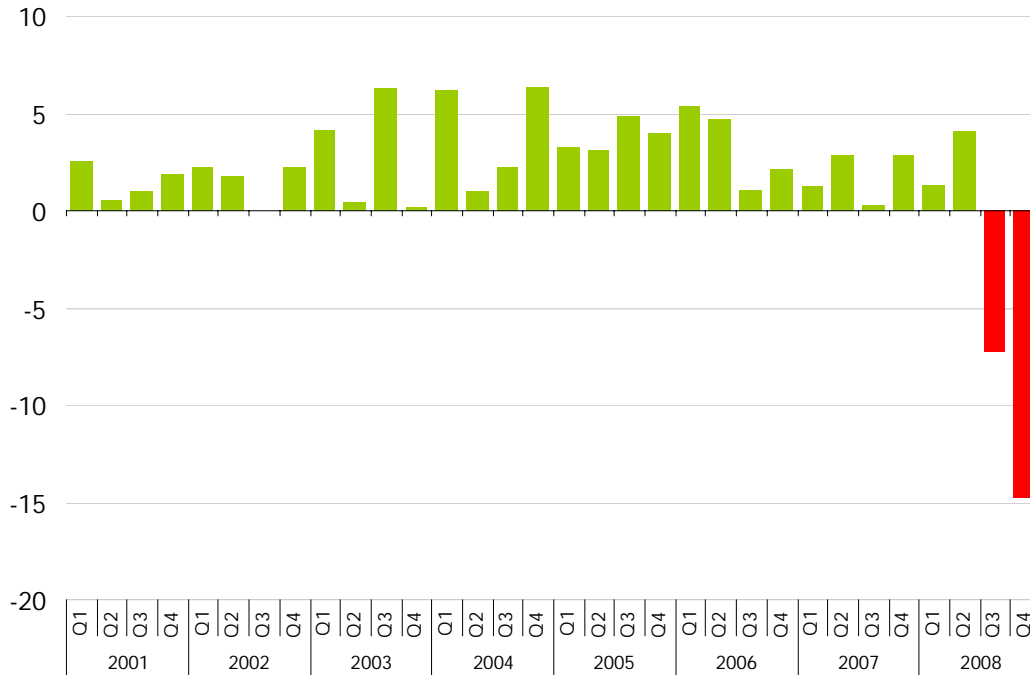


## Daily Livestock Report

### PERSONAL CONSUMPTION EXPENDITURES: FOOD

Annualized % Change from Previous Quarter



Please feel free to forward the Daily Livestock Report to others who you think will benefit from having this information. The DLR is published daily by **Steve Meyer and Steiner Consulting Group**, and distributed courtesy of Chicago Mercantile Exchange, Inc. You can **subscribe for free** by going to [www.dailylivestockreport.com/subscribe.asp](http://www.dailylivestockreport.com/subscribe.asp). To submit a comment or suggestion, please send an e-mail to: [feed-back@dailylivestockreport.com](mailto:feed-back@dailylivestockreport.com). To unsubscribe from the DLR newsletter, go to [www.dailylivestockreport.com/unsubscribe.asp](http://www.dailylivestockreport.com/unsubscribe.asp).

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is require to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

E-Livestock Volume	3-Mar	2-Mar	24-Feb
LE (E-Live Cattle):	10,463	13,176	16,253
GF (E-Feeder Cattle):	985	1,513	2,131
HE (E-Lean Hogs):	11,715	10,205	11,957

Free real-time Globex quotes: [www.cmegroup.com/elivestockquotes](http://www.cmegroup.com/elivestockquotes)

### Market Comments

**Food consumption expenditures in the United States declined at an annualized rate of 14.8% in the last quarter of 2008**, an indication that US consumers are shying away not just from purchasing high value durable goods but also everyday necessities. The decline was the largest since at least the early 1990s (earlier data was not available). Personal consumption expenditures are a component of overall Gross Domestic Product and the category seeks to measure the amount of goods and services that US households consume in a given period. As such, the component measures expenditures on durable goods, non-durable goods (where food, clothing/shoes, and gasoline/oil are the primary components), as well as services. The GDP report is revised a few times and the latest numbers were from the preliminary GDP reading, we should get the final numbers at the end of March.

It is clear that the US food industry is in a deep recession. It is also evident that that this recession is much more severe than those of the last two decades, possibly the most significant since WWII. Growth in personal consumption expenditures in the past was viewed as an indicator of future inflation. Indeed, as individuals seek to increase consumption levels, the price of goods and services will to increase. The sharp contraction in food expenditures in the second half of 2009 points in the opposite direction, a deflationary period for food products, including meats. For some products, especially those that tend to go to the foodservice industry, we already have seen the impact of the recession. The price of high end beef cuts in the wholesale market is currently down as much as 20-30% compared to a year ago. This has lead to some lower priced menu items, although it will take a longer time for the lower prices to filter through at the consumer level. For now, food CPI remains well above year ago levels but that may not be for too long. Demand is on the minds of all currently involved with US food commodities and will be a primary concern for some time to come. There is no question that US consumers are pulling back, trying to limit their consumption in an effort to preserve cash, pay down debt and generally improve their personal balance sheets that have been battered by the collapse in asset values (homes, investments, 401k plans). Producers, on the other hand, are engaged in a race to cut back supplies in order to prevent prices for collapsing and it will be some time before we get a good idea if they will succeed.