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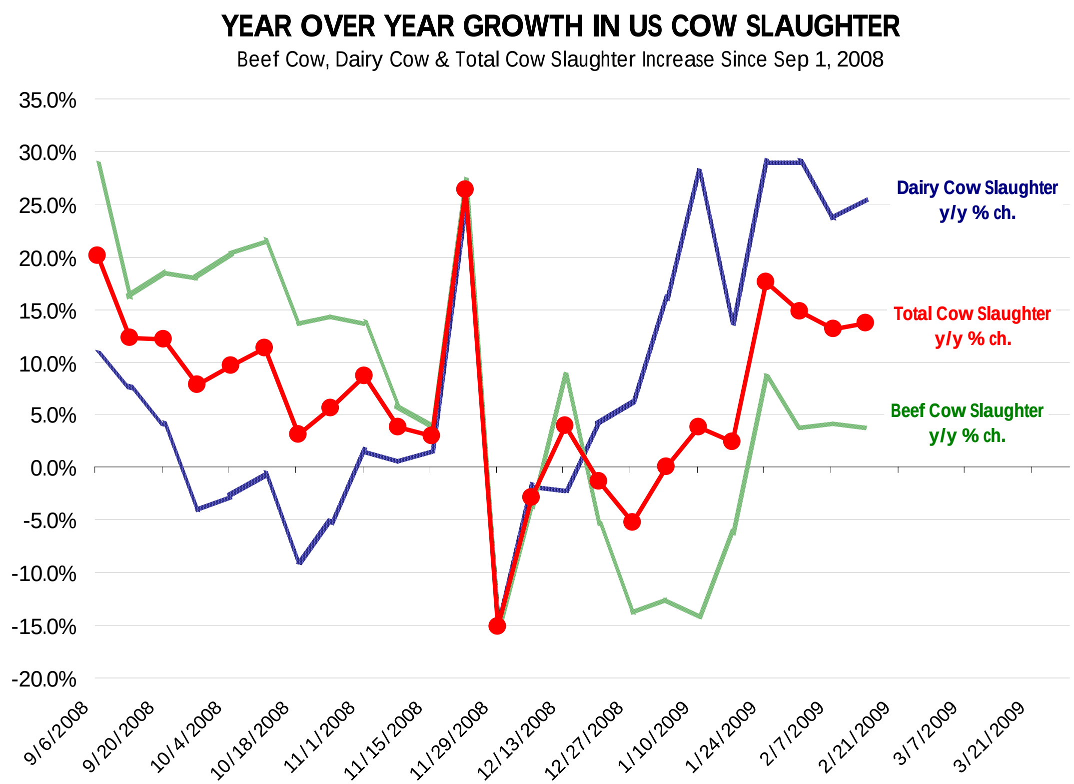
Daily Livestock Report



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E-Livestock Volume	4-Mar	3-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

Market Comments

Yesterday's issue of the DLR showing the decline in food consumption expenditures generated some **questions and comments** that we think deserve a little explanation. The data published by the Bureau of Economic Analysis showed that the food component of the overall personal consumption expenditures declined at a seasonally adjusted annualized rate of 14.8% in the fourth quarter of 2008. What does this mean? It means that the amount of dollars spend by US households on food (retail, foodservice, cafeterias, etc) declined compared to the previous quarter and if that rate of decline was extended over the entire year (quarter/quarter % change * 4) it would be 14.8%. The 6.2% decline in overall GDP that was headline news was also an annualized decline based on % change from previous quarter. Consumer expenditures are reported in dollars and the series we used was adjusted for inflation (year 2000 base). If you want to look at the data in more detail, it can be found at the BEA website (http://www.bea.gov/national/txt/dpga.txt). The percent change data is referenced in table 1.5.1.

Now to the cow slaughter numbers. As the chart to the left shows, **US cow slaughter rates have increased again after a brief lull at the end of last year**. For the week ending February 14, total US cow slaughter was 128,100 head, 13.7% higher than a year ago. Much of the increase in cow slaughter numbers has been due to a sharp rise in dairy cow slaughter. The collapse in milk and cheese prices has put enormous pressure on US dairymen and led to a significant rise in the number of dairy animals coming to market. In January, the rise in dairy cow slaughter was in large part offset by a decline in the number of beef cows (animals kept to produce calves rather than milk). But, January comparisons for beef cow slaughter were skewed a bit because we had a couple of big slaughter weeks back in 2008. In the last reported week, beef cow slaughter was up 3.8% from a year ago while dairy cow slaughter was up 25.5%. And while Canadian cow imports are up some 34% so far this year they are relatively small in volume and, through February 14, they accounted for just 8% of the overall increase in US cow slaughter. USDA has not published cow slaughter numbers for the last couple of weeks but based on the daily numbers we think cow slaughter has slowed down. As for the impact on overall meat prices, it will likely be minimal as demand at retail and foodservice for grinding beef has held up much better than for higher value beef items. Nevertheless, it is an issue worth noting since in the current weak demand environment, even small supply changes can have an impact.