

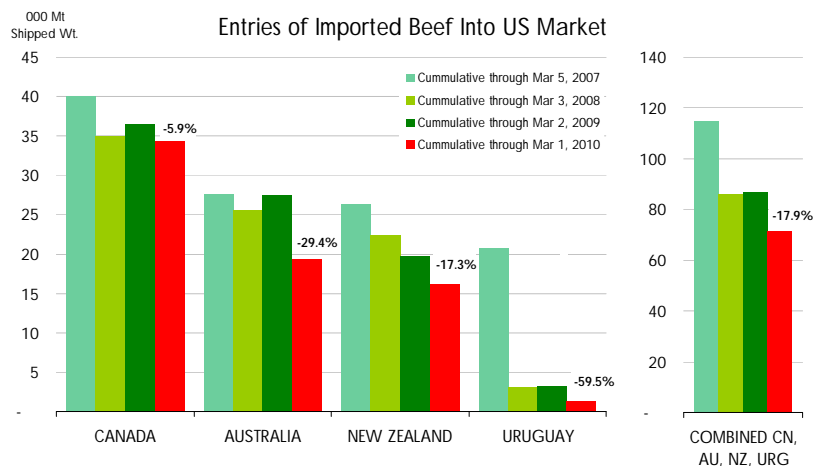
Daily Livestock Report

Vol. 8, No. 43/ March 5, 2010

Market Comments

Beef supplies, especially supplies of grinding beef, remain tight and one of the reasons for that is the sharp reduction in US beef imports. Beef coming from Canada is generally from cattle that have been fed in Western feedlots, it is similar to US product, and sold in a similar fashion as US product, i.e. boxed beef cuts sold in the wholesale market. There is some Canadian cow meat coming to the US but it represents a small portion of the total supply. On the other hand, much of the product from Australia, New Zealand and Uruguay is composed of grass fed beef that goes in large part into the US grinding beef supply. Over the years it has been a significant part of the supply chain for large fast food chains as well as other large players in the foodservice industry as well as the retail trade.

We have to wait a couple more months to get the official USDA data on US beef imports but early indications are that product flow into the country so far is tracking well below levels established in previous years. According to data from US Customs, which inspects and records product entering the country, the supply of beef cleared for entry from the main four suppliers (Canada, Australia, New Zealand and Uruguay) through March 1 was 71,300 MT, down 17.3% from the same period a year ago and a whopping 38% lower than where it was in 2007. The pace of shipments from key imported beef suppliers, such as Australia, remains well behind year ago levels and the year over year comparison will become even more skewed as we go into March and April given relatively large shipment volumes during those months in 2009. So far, entries of Australian beef are down 30% from a year ago and based on Australian shipment data, there is significantly less product "on water" than in previous years. Australian ranchers have sought to benefit from a wet summer, with plentiful rainfall across much of the cattle producing areas in Queensland and New South Wales. Some areas have had as much as 600 mm of rain (about 24 inches), leading to flooding and transportation issues. With good pasture conditions and plentiful feed, producers are holding animals back, especially since the industry was forced to significantly liquidate the herd in previous years due to drought. Also adding to the shortage of Australian beef going to the US market is the impact of exchange rates. The value of the US dollar is currently down 29% compared to year ago levels despite the recent surge in the value of the US\$. Going forward, it will be difficult for the US currency to make much headway vs. the Australian dollar. The Australian economy is currently growing at a much better pace than the US, interest rates are higher and strong commodity demand could again push the Australian dollar towards parity. A weak US dollar simply makes the price of goods denominated in other currencies higher. Despite the current surge in the price of imported beef trading in the US market, Australian producers have seen only a modest increase, with much of the US\$ price increase erased by the exchange rate. The lack of imported beef is causing end users to bid up prices for domestic grinding beef product to levels not seen since 2008. And we are still in March and prices could go even higher into the grilling season, boosting US packer margins and cattle prices.



Get free real-time CME Globex quotes at www.cmegroup.com/elivestockquotes.

DRIVING FORCES BEHIND
THE AG CREDIT MARKET

MISS THE WEBINAR? VIEW OUR ARCHIVE ▶

The Daily Livestock Report is published by **Steve Meyer** and **Len Steiner**. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit www.dailylivestockreport.com.

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 required 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.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2009 CME Group. All rights reserved.