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CME Group

A CME/Chicago Board of Trade Company

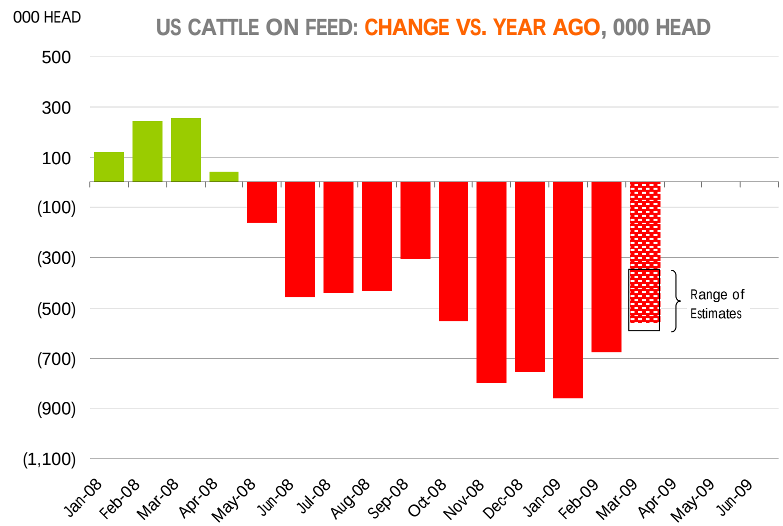
Daily Livestock Report

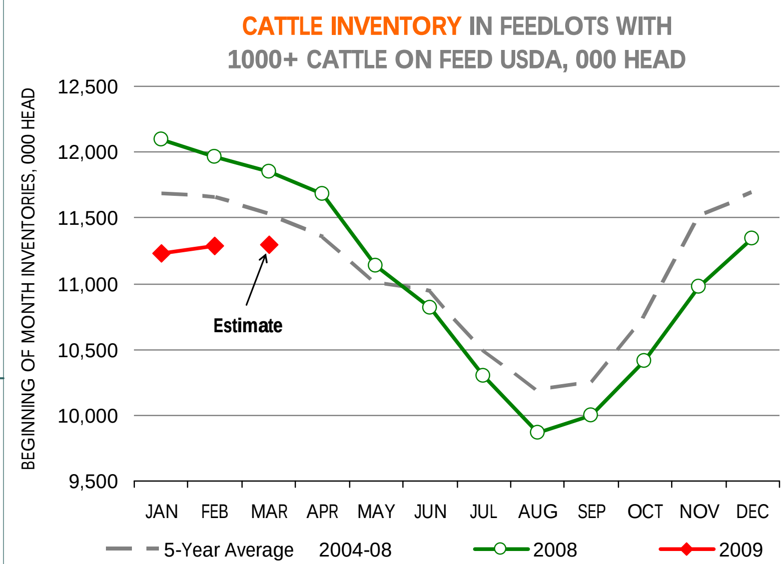
E-Livestock Volume	18-Mar	17-Mar	11-Mar
LE (E-Live Cattle):	12,324	10,337	18,590
GF (E-Feeder Cattle):	1,958	1,661	2,416
HE (E-Lean Hogs):	12,828	11,150	18,341

Market Comments

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed March 1	95.3%	11,296	94.1% - 96.1%
Placed on Feed in Feb	101.3%	1,745	94.0% - 106.5%
Marketed in Feb	94.7%	1,682	91.5% - 96.0%

USDA will release on Friday the results of its monthly survey of feedlots with 1000+ head on feed and futures will pay close attention not just to current feedlot supplies, which are expected to be smaller than a year ago, but more importantly the pace of placements and supply flows this summer. There is broad agreement that marketings were slower than a year ago, in part due to the fact that there was one less marketing day this February compared to last year but also because feedlots found it difficult to sell cattle in an environment of ever lower prices paid for boxed beef. Packers ran relatively light slaughter schedules in February and that will manifest itself in the USDA survey. The big point of contention in the upcoming report is the number of cattle placed on feed during February. Drought conditions in the southern Plains may have played a role in pushing more animals into feedlots. On the other hand, feedlot operators likely are contending with large losses due to the collapse in the late winter fed cattle market and they remain fearful of the outlook for beef values going into the summer. One factor that may provide some hope for feedlots and packers going forward is the interest from retail operators to feature more beef cuts going into the grilling season. It is important to keep in mind that consumers need not just low prices but value. The abundance of choice grade beef (see our report yesterday) coupled with slower demand at foodservice has now provided retailers with ample opportunities to feature beef cuts at very economical prices. We think consumers recognize value when they see it and $3 for an 8oz steak will beat a chicken breast any time. The increase in promotion activity should help clean up excess supplies and create a better market environment two to three months down the road. As the estimates above show, the average of analysts estimates indicates feedlots placed 1.3% more cattle on feed in February. Total cattle inventory is still expected to be down 4.7% from a year ago, although inventory levels are currently higher than on January 1.





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