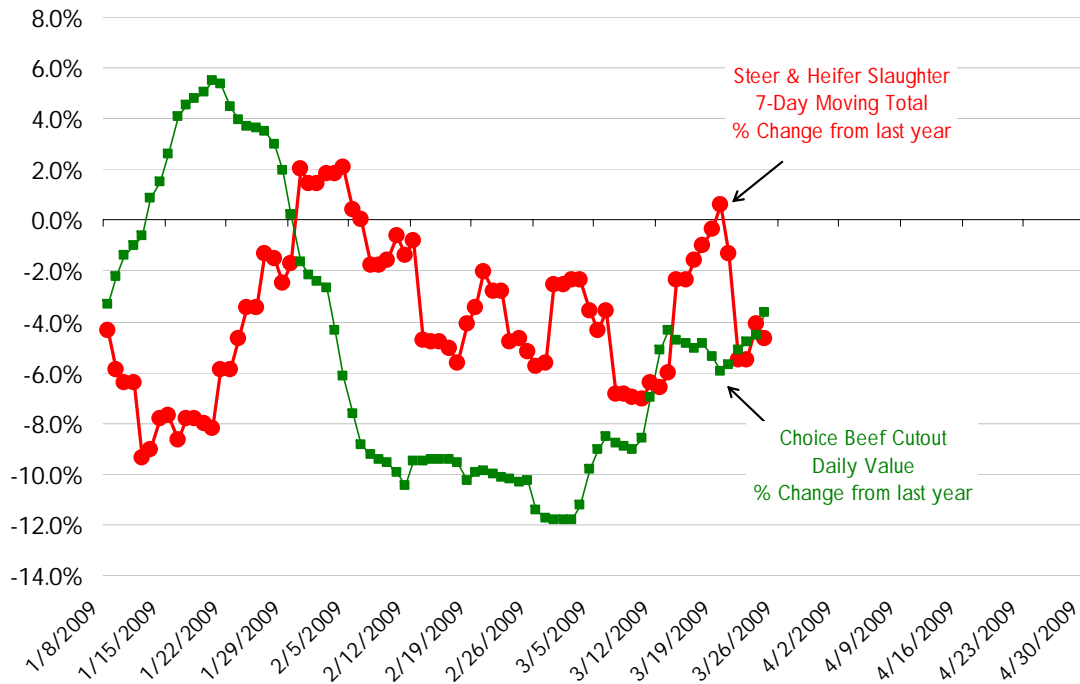


Daily Livestock Report

STEER & HEIFER SLAUGHTER VS. BEEF CUTOUT:
% CHANGE FROM A YEAR AGO



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<u>E-Livestock Volume</u>	<u>24-Mar</u>	<u>19-Mar</u>	<u>17-Mar</u>
LE (E-Live Cattle):	15,933	19,489	10,337
GF (E-Feeder Cattle):	1,142	1,797	1,661
HE (E-Lean Hogs):	8,000	15,283	11,150

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Market Comments

Choice beef cutout values continue to track below year ago levels despite reductions in slaughter rates for much of February and March. Echoing the point made in yesterday's issue, demand clearly remains a concern in the meat complex in general and especially for beef products. From a supply standpoint, fed cattle slaughter will likely remain below year ago levels due to smaller feedlot inventories and continuing concerns about retail and foodservice demand. The latest USDA data shows that steer and heifer slaughter is currently running about 4.7% below year ago levels. Steer and heifer slaughter was estimated at 93,000 head for Monday and we believe it was around 100,000 head for Tuesday. The seven day rolling total of steer and heifer slaughter currently stands at 491,000 head, compared to 516,000 head a year ago (hence the 4.7% decline). As the chart to the left shows, the rolling 7-day total briefly increased last week due to an unexpected large Saturday kill the week prior (March 14) and then higher slaughter levels for the next four days. Last Saturday (March 21), however, packers went back to a very light slaughter schedule and expectations this week are for packers to maintain daily fed slaughter at around 95-98,000 head per day with another light Saturday kill.

Live cattle futures were weaker today, in part due to concerns that weak cutout values will keep packer margins in the red and limit near term demand for fed cattle. One thing to keep in mind is that some of the impact of lower slaughter rates is being offset by heavier carcasses. Steer carcass weights are currently at all time record highs for this time of year and sharply higher compared to last year. For the week ending February 28 (USDA reports actual carcass weight data with a two week lag) dressed steer carcass weights were reported to be 851 pounds, 25 pounds or 3% higher than the comparable week the previous year. The reason for the high carcass weights is the same as that for the higher grading choice beef, i.e. good feedlot conditions this winter and a shift towards placing heavier cattle on feed. The reduction in premiums packers receive for choice beef as well as the sharp decline in drop credits (i.e. the value of offals and hides) will continue to negatively impact margins and further limit fed slaughter going forward. As we noted in the weekly summary table on Friday, hide and offal values last week were quoted at \$5.7 /cwt, 47% lower than a year ago. In a business that always operates on thin margins, such declines are no small matter and will impact future business.