

# Daily Livestock Report

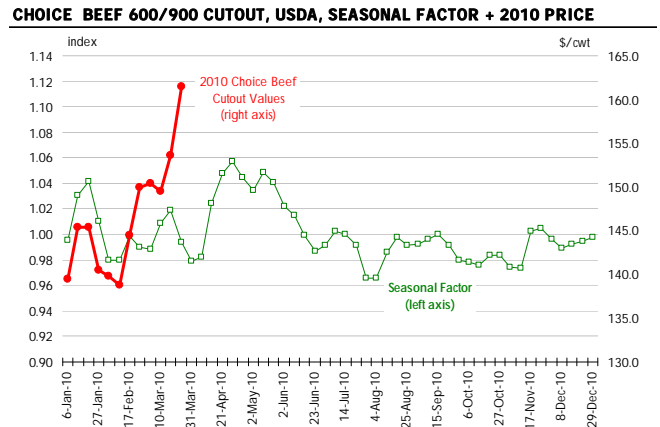
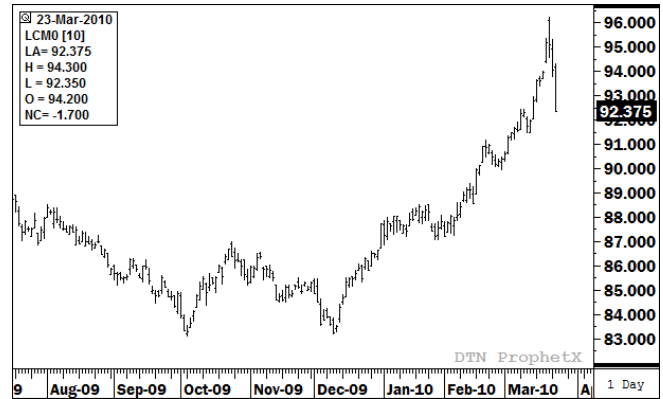
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## Market Comments

**Most CME livestock futures were down on Tuesday, further extending the Monday declines.** Live cattle futures have seen a sharp correction in the last two days, with the June contract down almost 300 points so far this week. Feeder cattle and lean hog prices also were also down as market participants reassess the outlook for beef and pork prices this summer.

Up to this point, live cattle futures have focused on the impact that tight cattle supplies and light carcass weights have had on beef prices. The choice beef cutout closed on Tuesday at \$161.4 /cwt, almost \$9/cwt higher than a week ago and about \$26 /cwt or 19% higher compared to year ago levels. The select beef cutout closed on Tuesday at \$159.7 /cwt, also up \$9/cwt compared to the week before and \$25 /cwt or 18.6% higher than a year ago. The spike in beef prices is not unexpected although the magnitude of the increase clearly has caught many market participants by surprise. Many buyers were likely lulled into complacency by an extended period of low beef prices and they came into March relatively short bought. Normally beef prices find some support going into Easter as retailers prepare post Lenten features. The normal pickup in demand, lower slaughter levels and light cattle all have combined to push prices much higher than the normal seasonal would suggest. The recent pullback in futures appears to be an indication that the market believes futures may have gotten a bit ahead of the cash market, especially the summer market. It is one thing to get cutout values spiking for a week or two in March and it is another to maintain current levels all the way into the grilling season. There is also some concern that the recent rise in beef prices may limit beef features in May and June. Those that hold a more bullish view of the market, however, likely will point to relatively tight cattle supplies going into the spring. Also, strong feeder cattle prices will tend to limit the number of beef cows coming to market, thus reducing the supply of grinding beef available. Packers have benefited from very high trim prices, which have boosted their overall margins. Ground beef is usually a hot item going into the grilling season and it appears that both the lean and fat trim component will remain tight. Keep in mind that there is very little imported beef coming to the US at this time. Entries of beef from Australia (the second largest import beef supplier behind Canada) are currently running 40% below year ago levels, entries of New Zealand beef are down 18% while entries of Canadian beef are down 2%. US cow slaughter rates will also greatly depend on pasture conditions and, so far, moisture conditions appear to be the best in more than a decade.

CME June 2010 Live Cattle Futures



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