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CME Group
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Daily Livestock Report

E-Livestock Volume	1-Apr	31-Mar	25-Mar
LE (E-Live Cattle):	10,955	15,109	11,780
GF (E-Feeder Cattle):	1,148	1,553	2,451
HE (E-Lean Hogs):	13,588	19,472	8,593

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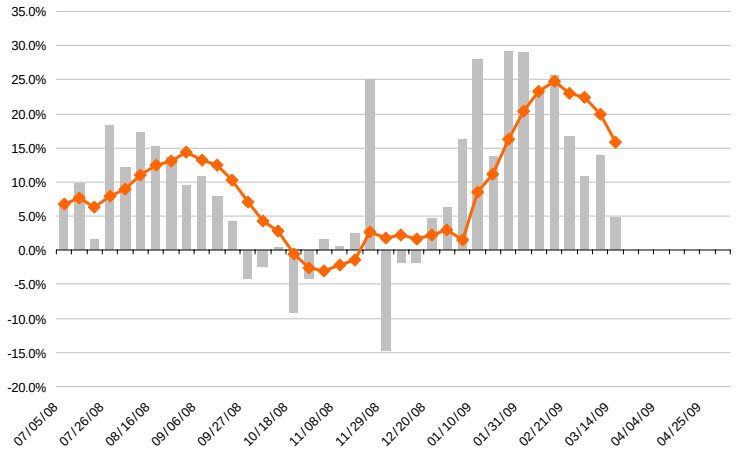
Market Comments

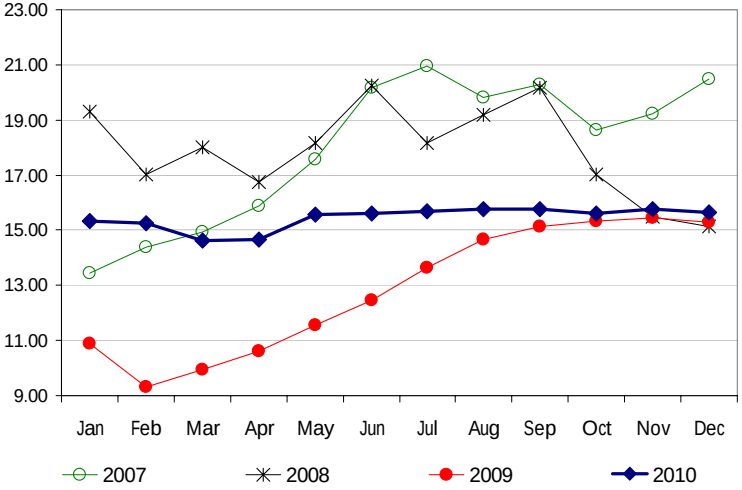
More dairy cows will be going to slaughter in the next few months following the official announcement of a new dairy cow herd retirement program. As has been the case in previous such initiatives, it is organized as part of the Cooperatives Working Together (CWT) program, a producer-funded national program developed by National Milk Producers Federation that currently claims its participants account for more than 67% of all US milk production. The purpose is to reduce the number of diary cows in production in order to limit the available supply of milk and bring producer margins more in line with current production costs. According to CWT (December Year End Review), cash production costs by the end of 2008 were $2+ over the all milk price, an untenable situation for dairy producers. While grain feed prices have eased somewhat in the last couple of months, they still are at relatively high levels. On the other hand, milk prices collapsed in January and February, causing plenty of anxiety among dairy producers and leading to a surge in dairy cow slaughter. As milk futures currently indicate, the market believes that milk prices will return to around $15 per cwt by the end of the year but that may still not be enough to give producers enough of a margin to operate. As if the current economic situation was not difficult enough, dairy producers in California and Wisconsin also have to content with severe drought conditions, which have limited supplies of high quality feed and have widened the gap between what producers pay for feed and what they are paid for their milk. Grain prices may be down from year ago levels but the price of alfalfa in Q1 was up 3% compared to a year ago and 28% higher than the five year average. The industry also has also been negatively impacted by the global financial crisis and the sudden strength in the US dollar. Unfortunately US dairy products do not command a premium in the global marketplace, they generally compete on price. The shift in exchange rates has given a significant competitive advantage to producers in other countries, such as New Zealand.

The implication of this new round of dairy cow herd retirement is that we should see more cow meat available in the marketplace. No one really knows how many more cows will come to market over the summer but recent retirement programs have removed some 50-60,0000 head. Given the depth of the current crisis, we will likely see even more dairy cows got to slaughter, maybe as many as 150,000 - 200,000 head, implying an additional 12 - 15,000 dairy cows per week this summer.

US DAIRY COW SLAUGHTER, Y/Y % CHANGE FROM A YEAR AGO



$/CWT MILK CLASS III FUTURES: CLOSE ON APRIL 1, 2009



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