

Daily Livestock Report

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Market Comments

Livestock futures have been buoyed in recent weeks by reports of tight supplies and hopes that meat demand has begun to recover from the damage inflicted by the recession. In the case of pork, it also helps that the product no longer is linked to fear mongering talk of global pandemics. Overall, end users appear to be in a notably better mood than they were a year ago. Plenty of challenges remain but, at least for the moment, a sense of normality appears to be returning in the marketplace, with retailers and foodservice operators preparing for the warmer weather and the return of grilling season. For some, however, there is sticker shock given higher protein prices across the board and the outlook for ever higher prices going into the high demand time of year.

One indicator of the improving mood in the market is the most recent survey from the **National Restaurant Association**. Its **monthly tracking index currently stands at the highest point it has been since September 2007** and well off the bottom established during the fall of 2008. While the industry remains in contraction mode, the restaurant performance index has been steadily improving in the last 12 months. The March 2010 survey covered some 484 respondents across several segments of the industry and for the most part they expect same store sales to improve in the coming months. According to the survey, 44 percent of the respondents indicated that they expect that six months from now same store sales will be higher than the previous year (see bottom of chart for breakdown by segment). The expectation for higher sales can be seen across the board, with most of the gains coming from sectors that were hit especially hard by the recession, such as the fine dining concept. This is an important component, especially for beef prices. Cattle prices struggled for much of 2009 in part because packers were not able to put more money on middle meats (steak cuts). We would propose that the improvement in fine dining sales should be a good barometer as to how middle meat prices fare in the coming months.

While the recent NRA survey likely adds to all the bullish sentiment in the market, it also provides some sobering insights. The overall index may be improving but the customer traffic indicator declined for the third consecutive month. This could be due to short term weather events but it also reflects the realities of 9.7% unemployment rate. It is that number which should temper some of the high flying expectations for the US restaurant industry (and protein prices) in 2010.

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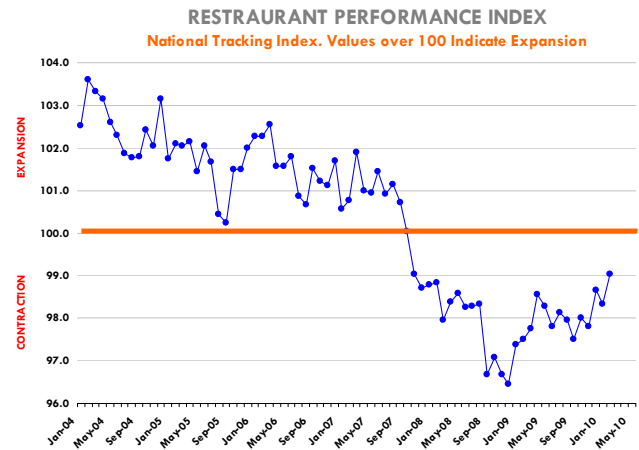
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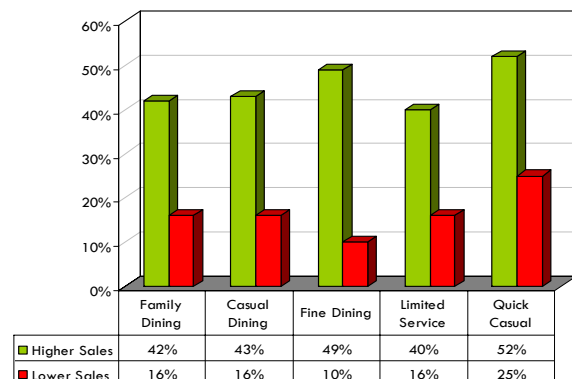
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SAME STORE SALES GROWTH - EXPECTATIONS 6 MONTHS OUT



Sales Expectations - Feb 2010 vs. Feb 2009, Tracking Survey Responses by Industry Segment. Source: National Restaurant Association