

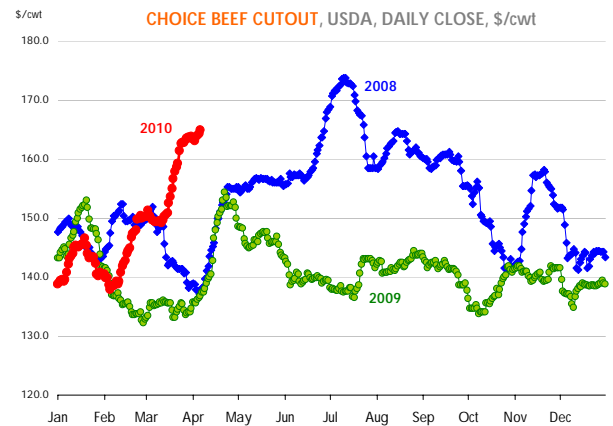
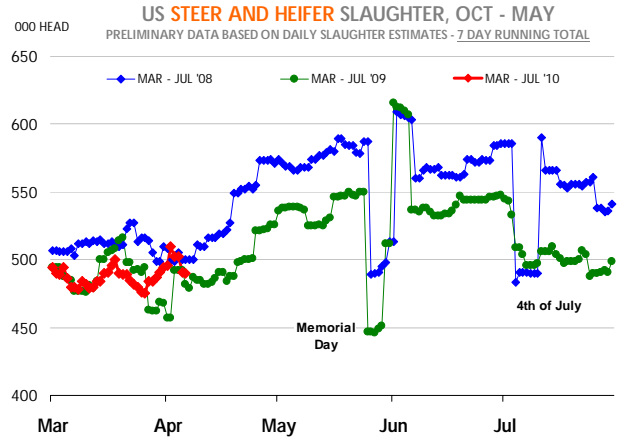
Daily Livestock Report

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Market Comments

Live cattle and feeder cattle futures took a step back on Tuesday on lack of fresh bullish news and some profit taking. For the moment the market seems to have priced in much of the bullish supply outlook for this summer and it is likely looking for additional support from the cash market before testing new highs. The market also found unhelpful news reports indicating Japan does not intend to ease current restrictions on US beef. There had been some hope that Japan would consider relaxing its current rules on US beef, which allow only for the import of US beef from cattle 20 months or younger. The US Secretary of Agriculture is travelling to Japan next week and this was one of the topics on the agenda, especially after two US senators introduced a resolution in the US Congress urging Japan to ease its partial ban on US beef. However, the Japanese Minister of Agriculture was quoted by Agence France-Press that he "has no plan to ask the government's food safety commission to review U.S. beef," thus cutting short any debate on this issue.

Despite limited access to the Japanese market, US beef prices continue to trend higher, in large part due to tight supplies but also in response to higher prices for competing meats and moderate improvements in demand (see our 4/6 report). As we have mentioned before, markets also have been supported by some frenzied inventory building in preparation of the grilling season. Beef supplies this summer will likely be lower than what they have been in the past two years. As the top chart shows, steer and heifer slaughter briefly rose last week but we think this is partly due to feedlots pulling some of their marketings forward in response to the very high prices being offered. The most recent seven day total (Mar 31 - Apr 6) of US steer and heifer slaughter was 490,000 head, 2.3% higher than a year ago. US cow and bull slaughter for the same period was 134,000 head, 17.5% higher than a year ago. The latest US feedlot inventory report showed that total stocks of cattle on feed as of March 1 were 10.864 million head, 364,000 head or 3.2% lower than a year ago. Compared to 2008, the inventory numbers are even more dramatic. On March 1, 2008, the on feed inventory was reported to be 11.853 million head. Current supplies on feed are almost 1 million head smaller than what they were back in 2008, a year when the choice beef cutout surged past \$170/cwt in early July. The US choice beef cutout value closed on Tuesday at \$164.9/cwt, \$27.5/cwt or 20% above year ago levels. The recent price increase reflects for the most part the seasonal up that we see going into April and so far beef prices have far outpaced 2008. With 8% or so fewer cattle on feed (vs. 2008) purchasing beef will not get any easier.



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