

## Daily Livestock Report

### Market Comments

Following up on our discussion yesterday regarding the sharp drop in cold storage stocks, one additional point is worth noting. **Last year, cold storage inventories in March, April and May rose sharply due to a combination of very strong exports, especially to China, and a container shortage.** Orders destined for export markets had to linger in ports as shippers struggled to find empty containers, and this contributed to the rise in freezer stocks. That is no longer the case this year and helps explain in part the year over year drop in freezer stocks. This is especially instructive with regard to pork. As for chicken, the fact that stocks were down sharply both compared to a year ago but also the five year average points to the significant cutbacks in chicken supplies.

**Chicken production is down and it will likely remain well below year ago and five year average levels through the summer.** Egg sets and chick placements are below last year's levels, implying much smaller slaughter this June and July. For the week ending April 18, USDA pegged egg sets at 202,689, 5.6% below year ago levels. The number of chicks placed was 166,642, 5.9% lower than a year ago. The decline in placements reflects industry efforts to limit output and bring a margin back in the business. It also reflects the impact that the bankruptcy of Pilgrim's Pride, the largest US broiler producer, had on overall production. A number of Pilgrim's plants have been idled or closed altogether. Some of the plants are up for sale but it is not a surprise that the process has been lengthy and contentious, as the company is reluctant to sell at rock bottom prices and then see that capacity back in business and competing for customers. Overall, however, broiler output this year is expected to post the biggest year over year drop since the early 1970s. USDA reported that 2009 Q1 broiler production was down 6.8% from a year ago an Q2 production was estimated to register a 5.7% decline. For all 2009, US broiler production is currently estimated to decline 3.9% from year ago levels. Despite the decline, the price of chicken breasts has so far shown only a moderate improvement, an indicator that for all the cutbacks, the industry still has to contend with a soft demand environment, especially at the foodservice level. Nevertheless, the reduction in output should be supportive of other meat items, especially pork, which is the other value alternative in the retail meat case.

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E-Livestock Volume	22-Apr	21-Apr	15-Apr
LE (E-Live Cattle):	11,276	8,756	13,968
GF (E-Feeder Cattle):	1,167	1,599	2,446
HE (E-Lean Hogs):	13,352	7,919	10,721

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US WEEKLY BROILER EGG SETS



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