

Daily Livestock Report

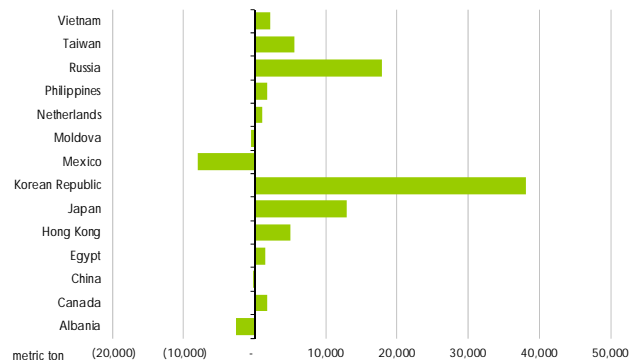
Vol. 8, No. 172 / September 3, 2010

Market Comments

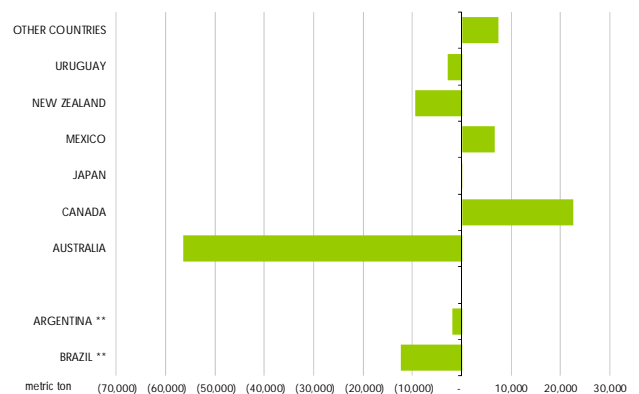
The latest USDA projections for US per capita disappearance highlighted the very tight beef supply availability in the US market. Based on the USDA projections for production, export and imports, **total US beef per capita disappearance in 2010 is forecast to be down 3.2% from 2009 levels and 9.4% lower than in 2007** (pre-recession). Part of the reason for the smaller supply is the ever shrinking supply of calves being born each year. Next year we will likely have even fewer calves given the high rates of beef cow liquidation so far this year and lower beef cow replacement numbers.

But supply availability in the domestic market is driven not just by overall production numbers but also the flow of imports and exports. This is particularly important for beef since the US is both a large beef importer and also a significant beef exporter in the world. So far this year, beef exports have been rising sharply compared to a year ago while imports remain depressed. USDA currently forecasts US beef imports in 2010 will be about 0.9% lower than a year ago while beef exports are currently forecast to increase 13.3% from 2009 levels. Based on data available through the end of August (and these are not the official US Census Statistics), both imports and exports are outside the current USDA projections for the year. Beef imports at this time are lagging significantly behind year ago levels and we estimate that through the end of August they are down about 8% compared to a year ago. As the bottom chart shows, this is driven primarily by a sharp decline in beef imports from Australia. The data from US Customs (which we use to get the latest import statistics) does not include imports from Argentina and Brazil so the data for these two countries reflects imports through June as reported by the US Census bureau. If anything, the imported beef shortfall from Brazil (cooked beef) by the end of August was likely even larger than the chart suggest. And we do not think the import picture will improve anytime soon. Shipments from Australia in August were also lower than a year ago, thus assuring further declines in US September beef imports. It would not surprise us to see beef imports at the end of the year down 6% or more compared to a year ago. Exports, on the other hand, are running well ahead of USDA forecasts. Based on the weekly data from FAS, US beef exports through the end of August were up about 27% compared to last year. Exports to Korea, Russia and Japan have been very strong and even exports to Mexico have improved recently. Bottom line: Beef supply availability in the US market may be even tighter than the latest forecasts suggest and LC futures may not be as overpriced as some may think.

YTD CHANGE IN US BEEF MUSCLE CUT EXPORTS BY COUNTRY
BASED ON WEEKLY BEEF EXPORTS FOR PERIOD JAN 1 - AUG 26, 2010 VS. JAN 2 - AUG 27, 2009



YTD CHANGE IN US BEEF IMPORTS BY COUNTRY, MT
BASED ON WEEKLY BEEF EXPORTS FOR PERIOD JAN 1 - AUG 30, 2010 VS. JAN 2 - AUG 31, 2009



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