

## Daily Livestock Report

E-Livestock Volume	2/13/09	2/12/09	2/6/09
LE (E-Live Cattle):	8,544	10,412	13005
GF (E-Feeder Cattle):	1,951	1,344	1640
HE (E-Lean Hogs):	6,391	12,152	8713

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**Lower fed cattle slaughter was once again accompanied by lower fed cattle prices this week as the live cattle demand situation remains tenuous to say the least.** Southern Plains fed steer prices lost 1% this week, falling to \$81.64 on slaughter of 614,00 head, 1.3% lower than one week ago. Dressed beef prices held steady but both dressed and live prices were near 10% below last year's level on a slaughter run that was 1.6% SMALLER — a directional change that should have been accompanied by HIGHER cattle prices. Beef cutout values are also down roughly 10% from last year and beef by-product values are down nearly 36%. That drop in by-product values is a big deal for cattle feeders as hides and offal (organ meats and other items that are not left on the carcass) accounted for well over \$130/head one year ago.

Until last week, beef packers' gross margins had been excellent thus far in 2009 (see page 2, Figures 1 and 2). In fact, gross margins for the second week of the year topped \$270/head and approached the record level reached last summer. Even last week's gross margin of \$158.81 is well above the 2003-2007 average and the levels during the corresponding weeks of 2007 and 2008. As can be seen in Figure 2, beef gross margins were dismal in 2007 as JBS Swift ramped up its second shift at Greeley, CO. But margins grew last year, primarily due to record-high by-product values. With those coming back to earth, beef packers are depending much more heavily on the meat spread (cutout value less animal value) for profits thus far in 2009.

**The packer margin situation is almost perfectly opposite in the pork industry.** Pork packers have run positively dismal gross margins since late last October — following near-record gross margins last summer. What a dramatic shift in just a few short months. The sharp decline in packers' total gross margin (Figure 3) began with last fall's almost simultaneous drop in cutout and byproduct values (Figure 4). While by-product values have recovered some since mid-December, pork cutout values have not kept pace with hog prices paid by packers, leaving the pork meat margin near record low the past three weeks. This is not due to high hog prices caused by a shortage of hogs. Slaughter totals have been just about as expected from the December Hogs and Pigs report and have remained above 2.2 million every non-holiday week so far in 2009. It appears that packers are trying to maintain slaughter levels and supplier and customer relationships until cutout values improve seasonally — but the effort is getting rather costly with margins this low.

The low margins are also not due to expanded capacity. In fact, U.S. capacity is currently 3,800/day lower due to the recent closure of producer-owned Meadowbrook Farms in Illinois. The company says that the closure is temporary and due to a cash flow crunch precipitated by a major customer breaking a contract to buy value-added products. The customer, Triad Foods, maintains that the real problem was Meadowbrook's inability to consistently deliver the contracted product.

### PRODUCTION AND PRICE SUMMARY

Week Ending 2/14/2009

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	614	622	-1.29%	624	-1.57%	3,881	-7.7%
A	FI Beef Cow Slaughter	Thou. Head	66.2	69.5	-4.85%	63.7	3.79%	320	-4.3%
T	Avg. Live Weight	Lbs.	1316	1313	0.23%	1287	2.25%	1,311	1.4%
T	Avg. Dressed Weight	Lbs.	782	790	-1.01%	777	0.64%	784	1.1%
L	Beef Production	Million Lbs.	480.8	484.9	-0.85%	482.6	-0.37%	3,051	-6.1%
E	Live Fed Steer	\$/cwt live wt.	81.64	82.43	-1.00%	91.00	-10.30%		
	Dressed Steer	\$/cwt carcass	130.83	130.88	0.00%	145.28	-9.90%		
	Georgia Feeder Steer	600-700 Lbs.	82.62	83.64	-1.20%	98.85	-16.40%		
	Beef Cutout	600-750 Choice	136.33	139.72	-2.40%	151.14	-9.80%		
	Hide/Offal	\$/cwt live wt.	6.89	6.95	-2.00%	10.75	-35.90%		
H	FI Slaughter	Thou. Head	2236	2222	0.63%	2221	0.67%	14,320	-7.4%
O	FI Sow Slaughter	Thou. Head	58.4	60.8	-3.89%	65.0	-10.08%	302	-5.6%
G	Avg. Dressed Weight	Lbs.	205	204	0.49%	203	0.99%	205	0.1%
S	Pork Production	Million Lbs.	456.3	454.3	0.44%	451.1	1.15%	2,922	-7.4%
	Iowa-S. Minn. Direct	Avg.	58.43	57.30	2.00%	56.78	2.90%		
	Natl. Base Carcass Price	Weighted Avg.	57.04	58.28	-2.10%	58.11	-1.80%		
	Natl. Net Carcass Price	Weighted Avg.	59.27	60.46	-2.00%	60.30	-1.70%		
	Pork Cutout	185 Lbs.	58.08	56.98	1.90%	62.92	-7.70%		
C	Young Chicken Slaughter*	Million Head	155.50	148.08	5.01%	165.45	-6.01%	779	-5.9%
H	Avg. Weight	Lbs.	5.49	5.59	-1.79%	5.52	-0.54%	5.5	0.2%
I	Chicken Production	Million Lbs.	853.67	827.76	3.13%	913.26	-6.52%	3,197	-5.5%
K	Eggs Set	Million	201.85	198.33	1.77%	217.27	-7.10%	1,210	-7.1%
C	Chicks Placed	Million Head	167.58	166.68	0.54%	176.41	-5.01%	1,006	-5.5%
E	12-City Broiler	Composite	80.66	81.37	-0.90%	78.3	3.00%		
N	Georgia Dock Broiler	2.5-3 Lbs.	86.9	86.58	0.40%	77.16	12.60%		
T	Young Turkey Slaughter*	Million Head	4.46	4.44	0.41%	4.94	-9.71%	22.6	-5.4%
U	Avg. Weight	Lbs.	30.15	30.37	-0.72%	29.83	1.07%	30.3	-0.8%
R	Turkey Production	Million Lbs.	134.3	134.8	-0.32%	147.2	-8.74%	548	-5.8%
K	Eastern Region Hen	8-16 Lbs.	75.00	72.70	3.20%	76	-1.30%		
F	Corn, Omaha	\$ per Bushel	NQ	3.65	NA	4.88	NA		
E	DDGS, Minnesota	\$ per ton	125.00	127.50	-1.96%	164.00	-23.78%		
E	Wheat, Kansas City	\$ per Bushel	5.37	5.47	-1.80%	10.42	-48.50%		
D	Soybeans, S. Iowa	\$ per Bushel	9.41	9.75	-3.50%	13.21	-28.80%		
	SB Meal, 48% Central Illinois	\$ per Ton	331.70	312.00	6.30%	342.90	-3.30%		

\* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks ear

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Figure 1

BEEF PACKERS' EST'D GROSS MARGIN

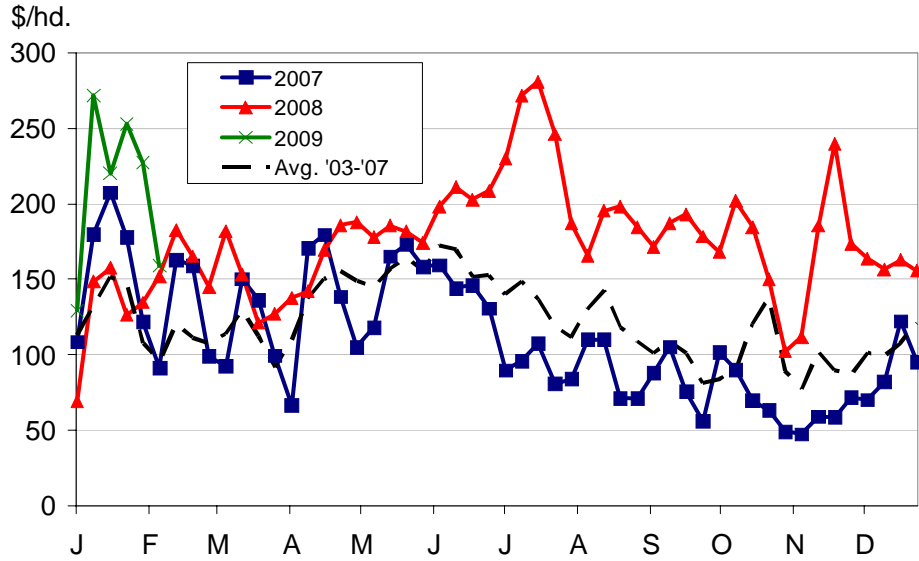


Figure 2

BEEF PACKER MARGIN COMPONENTS

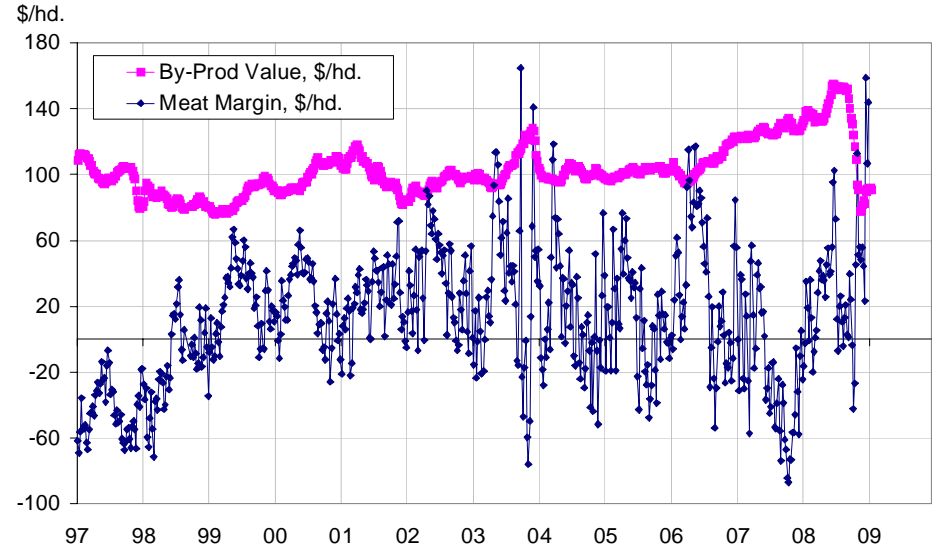


Figure 3

PORK PACKERS' EST'D GROSS MARGIN

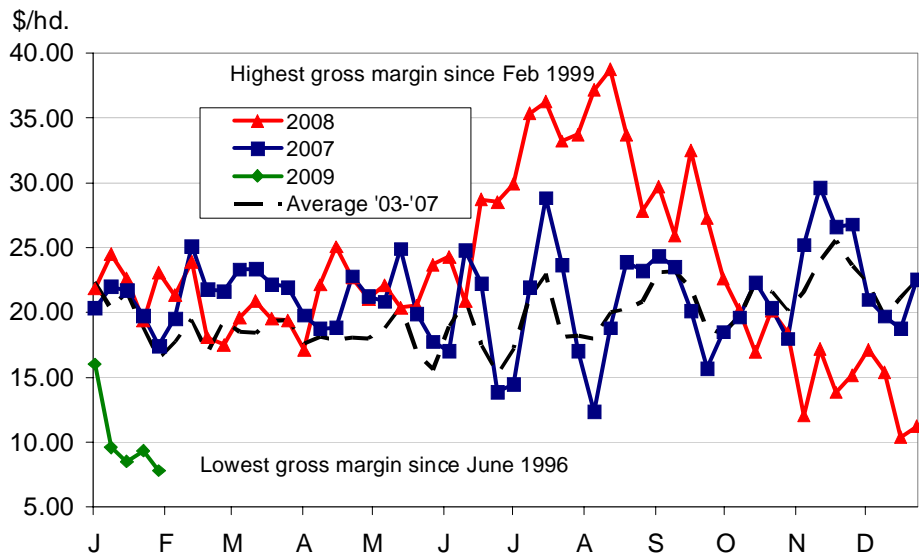


Figure 4

PORK PACKER MARGIN COMPONENTS

