

# Daily Livestock Report

Vol. 8, No. 35/ February 23, 2010

We have provided a corrected version of our weekly Production and Price Summary on page 2. Our year-to-date numbers for slaughter and production were incorrect in yesterday's edition. The changes are not large but these numbers are correct. We apologize for any confusion.

USDA's monthly Cold Storage report, released on Monday, indicates that total stocks of frozen meat and poultry remain near their lowest level since December 2003. USDA estimates that there was 1.86 billion pounds of frozen meat and poultry on hand on January 1. That number is 3.5% larger than one month earlier but 17.1% lower than one year ago. The report will probably be seen as neutral to bullish when futures markets open on Tuesday.

The inventory numbers for all meats and poultry as well as individual cuts are in the table on page 3. The chart at right shows monthly inventories of the four major species back to January 2000. Note that the stock of Total Meat and Turkey are read off the right-hand axis while all others are read off the left-hand axis.

The leaders in the year-on-year reduction of January 31 inventories were turkey (down nearly 169 million pounds or 37.5%) and pork (over 106 million pounds or 18.3% lower). Turkey companies accomplished a record-large drawdown of inventories last fall and, quite understandably, do not appear eager to rebuild them very quickly. The Nov-Jan increase this year is the smallest since 2000-2001 and year-to-date turkey slaughter and production are 5.2% and 4.5% lower, respectively, than one year ago.

The 495.6 million pounds of pork in cold storage is 8% below the average over the past five years for January 31. Pork inventories usually peak between January and April, depending on seasonal slaughter levels and the date of the Easter holiday which drives the timing of ham usage. But this year could be very different primarily because the normal August bottom for pork inventories never happened in 2009. Pork stocks kept going down through the end of December in spite of seasonally higher slaughter and production. Furthermore, the pork cutout value rallied nearly \$18 from October 1 through year-end. That rally was a primary reason that product did not go into storage as it signaled an immediate need for the product.

Ham inventories were 15.4% lower than one year ago on January 31. We don't expect many hams to be added to stocks given that ham prices are over 50% higher than one year ago. The same story applies to virtually every other pork cut. Bellies stocks are 22.5 lower than one year ago and cash bellies are roughly 20% higher than last year. Trimmings stocks are nearly 35% lower than last year and 72% CL (chemical lean) trimmings are over 50% higher. The only exceptions are loins (31% lower inventories but prices up only 8%), ribs and butts (slightly higher inventories).

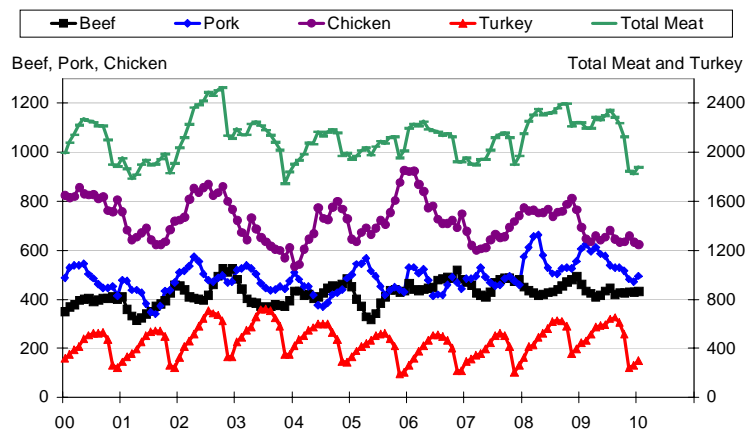
Stocks of frozen chicken were only 1.3% lower than last month but remained sharply lower (10%) than last year. While slaughter and production are running higher than last year, chicken companies are, at least so far, not putting more product into freezers. The month-on-month numbers that cause a bit of heartburn are those for the dark meat (leg quarter) cuts. Leg quarter inventories have grown 23% since the end of December as U.S. and Russian negotiators try to hammer out an agreement over the use of chlorinated water in chicken processing that will allow U.S. product to continue moving to Russia, our largest poultry export customer. Rumors of progress have disappeared over the past two weeks but we understand that Russian officials are on holiday at present and the talks are to resume in late February. We think it is important to note that leg quarter prices have not fallen significantly since this entire episode began. The market seems to be saying "no worry" but we wonder how long that attitude might last.

Finally, beef inventories were fractionally higher than last month but 6.4% lower than last year. Stocks of both boneless beef (about 85% of the total) and beef cuts were lower than last year on January 31.

So what does all of this mean? We think it indicates a very current meat and poultry complex. That "currentness" is one of the reasons that weather-related supply disruptions drove pork and hog prices up quickly back in January and did the same for beef and cattle prices the past two weeks. While most of the price action has been attributable to supplies, the sensitivity of these markets indicates that any improvement in demand could push prices of about all meat and poultry product up quickly. DEMAND IS STILL THE KEY ISSUE! And, while some indicators (Q4-2009 growth, for example) are suggesting the recovery is underway, it doesn't appear that consumers are parting with many "elective" dollars. Yet. We think they will and a meal or two away from home or a higher-end steak on the grill may be an early splurge.

## MEAT IN COLD STORAGE

Million Lbs., Product Weight



Get free real-time CME Globex quotes at [www.cmegroup.com/elivestockquotes](http://www.cmegroup.com/elivestockquotes).

DRIVING FORCES BEHIND  
THE AG CREDIT MARKET

MISS THE WEBINAR? VIEW OUR ARCHIVE ▶

The Daily Livestock Report is published by Steve Meyer and Len Steiner. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2009 CME Group. All rights reserved.

# Daily Livestock Report

Vol. 8, No. 35/ February 23, 2010

## PRODUCTION AND PRICE SUMMARY

Week Ending **2/20/2010**

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
<b>C</b>	FI Slaughter	Thou. Head	620	602	2.99%	625	-0.83%	4,520	-0.2%
<b>A</b>	FI Beef Cow Slaughter	Thou. Head	62.1	71.7	-13.41%	61.5	0.89%	423	10.9%
<b>T</b>	Avg. Live Weight	Lbs.	1289	1283	0.47%	1317	-2.13%	1,291	-1.6%
<b>T</b>	Avg. Dressed Weight	Lbs.	774	774	0.00%	793	-2.40%	775	-1.6%
<b>L</b>	Beef Production	Million Lbs.	478.2	464.1	3.04%	486.5	-1.71%	3,489	-1.7%
<b>E</b>	Live Fed Steer	\$/cwt live wt.	88.79	88.41	0.40%	79.48	11.70%		
	Dressed Steer	\$/cwt carcass	144.48	140.18	3.10%	128.27	12.60%		
	OKC Feeder Steer	600-700 Lbs.	106.84	100.27	6.55%	102.23	4.51%		
	Beef Cutout	600-750 Choice	144.58	139.32	3.80%	134.76	7.30%		
	Hide/Offal	\$/cwt live wt.	9.77	9.62	4.00%	6.64	47.10%		
<b>H</b>	FI Slaughter	Thou. Head	2163	2153	0.46%	2215	-2.35%	15,296	-7.3%
<b>O</b>	FI Sow Slaughter	Thou. Head	55.2	57.8	-4.50%	58.3	-5.43%	341	-5.4%
<b>G</b>	Avg. Dressed Weight	Lbs.	203	204	-0.49%	204	-0.49%	203	-0.4%
<b>S</b>	Pork Production	Million Lbs.	438.6	437.8	0.18%	452.1	-2.99%	3,106	-7.9%
	Iowa-S. Minn. Direct	Avg.	64.49	64.84	-0.50%	60.09	7.30%		
	Natl. Base Carcass Price	Weighted Avg.	64.26	63.78	0.70%	60.74	5.80%		
	Natl. Net Carcass Price	Weighted Avg.	66.72	66.26	0.70%	62.94	6.00%		
	Pork Cutout	185 Lbs.	69.24	68.47	1.10%	57.61	20.20%		
<b>C</b>	Young Chicken Slaughter*	Million Head	156.28	159.89	-2.26%	154.55	1.12%	951	1.9%
<b>H</b>	Avg. Weight	Lbs.	5.48	5.53	-0.90%	5.48	0.00%	5.6	0.9%
<b>I</b>	Chicken Production	Million Lbs.	856.42	884.19	-3.14%	846.93	1.12%	3,937	2.8%
<b>C</b>	Eggs Set	Million	205.15	203.98	0.58%	202.82	1.15%	1,418	0.4%
<b>K</b>	Chicks Placed	Million Head	164.76	163.26	0.92%	167.04	-1.36%	1,163	-0.9%
<b>E</b>	12-City Broiler	Composite	82.39	79.74	3.30%	78.81	4.50%		
<b>N</b>	Georgia Dock Broiler	2.5-3 Lbs.	82.91	82.66	0.30%	86.48	-4.10%		
<b>T</b>	Young Turkey Slaughter*	Million Head	4.34	4.35	-0.30%	4.63	-6.30%	25.8	-5.2%
<b>U</b>	Avg. Weight	Lbs.	29.97	30.41	-1.45%	29.48	1.66%	30.4	0.7%
<b>R</b>	Turkey Production	Million Lbs.	130.1	132.4	-1.74%	136.6	-4.75%	628	-4.5%
<b>K</b>	Eastern Region Hen	8-16 Lbs.	79.75	77.50	2.90%	77.67	2.70%		
<b>F</b>	Corn, Omaha	\$ per Bushel	3.50	3.51	-0.28%	3.41	2.60%		
<b>E</b>	DDGS, Minnesota	\$ per ton	97.50	97.50	0.00%	125.00	-18.40%		
<b>E</b>	Wheat, Kansas City	\$ per Bushel	4.37	4.33	0.92%	5.18	-15.64%		
<b>D</b>	Soybeans, S. Iowa	\$ per Bushel	9.56	9.48	0.84%	8.97	6.50%		
<b>SB</b>	Meal, 48% Central Illinois	\$ per Ton	296.10	298.40	-0.77%	282.50	4.80%		

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

Get free real-time CME Globex quotes at [www.cmegroup.com/elivestockquotes](http://www.cmegroup.com/elivestockquotes).

**DRIVING FORCES BEHIND  
THE AG CREDIT MARKET**

MISS THE WEBINAR? VIEW OUR ARCHIVE ▶

The Daily Livestock Report is published by Steve Meyer and Len Steiner. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2009 CME Group. All rights reserved.

# Daily Livestock Report

Vol. 8, No. 35/ February 23, 2010

## USDA Cold Storage Report February 22, 2010

	Quantity (Thousand Pounds)			Current as pct. of:	
	1/31/09	12/31/09	1/31/10	1/31/09	12/31/09
<b>Chicken</b>	----- Thous. Lbs. -----				
Whole Chickens	19468	16401	15329	78.7	93.5
Hens, Mature Chickens	4084	2215	2744	67.2	123.9
Breasts & Breast Meat	137092	127714	123434	90.0	96.6
Drumsticks	12210	11886	12319	100.9	103.6
Leg Quarters	93099	73932	91051	97.8	123.2
Legs	10663	6926	7909	74.2	114.2
Thigh & Thigh Quarters	10525	7787	7695	73.1	98.8
Thigh Meat	14358	22799	23457	163.4	102.9
Wings	26712	34493	27230	101.9	78.9
Paws and Feet	13814	15159	15155	109.7	100.0
Other	352408	313978	298935	84.8	95.2
<b>Total Chicken</b>	<b>694,433</b>	<b>633,290</b>	<b>625,258</b>	<b>90.0</b>	<b>98.7</b>
<b>Turkey</b>					
Toms (Whole Carcasses)	101,102	38,218	56,108	55.5	146.8
Hens (Whole Carcasses)	92,540	38,161	54,056	58.4	141.7
Whole Turkeys	193,642	76,379	110,164	56.9	144.2
Other Turkey	256,792	158,285	171,265	66.7	108.2
<b>Total Turkey</b>	<b>450,434</b>	<b>234,664</b>	<b>281,429</b>	<b>62.5</b>	<b>119.9</b>
Ducks	3,416	3,588	2,797	81.9	78.0
<b>Total Poultry</b>	<b>1,148,283</b>	<b>871,542</b>	<b>909,484</b>	<b>79.2</b>	<b>104.4</b>
<b>Frozen Beef</b>					
Boneless 1/	391,691	373,133	368,875	94.2	98.9
Beef Cuts 2/	70,956	57,147	63,941	90.1	111.9
<b>Total Beef</b>	<b>462,647</b>	<b>430,280</b>	<b>432,816</b>	<b>93.6</b>	<b>100.6</b>

	Quantity (Thousand Pounds)			Current as pct. of:	
	1/31/09	12/31/09	1/31/10	1/31/09	12/31/09
<b>Frozen Pork</b>	----- Thous. Lbs. -----				
Picnics, Bone-in	8,992	8,889	8,283	92.1	93.2
Hams, Total	87,537	50,419	74,034	84.6	146.8
Bone-in	44,022	20,521	35,340	80.3	172.2
Boneless 3/	43,515	29,898	38,694	88.9	129.4
Bellies	69,166	56,764	53,586	77.5	94.4
Loins, Total	51,357	35,884	35,206	68.6	98.1
Bone-in	20,608	15,077	13,950	67.7	92.5
Boneless 4/	30,749	20,807	21,256	69.1	102.2
Ribs 5/	87,854	96,000	93,606	106.5	97.5
Butts	20,940	20,066	22,144	105.7	110.4
Trimblings 6/	66,610	43,815	43,699	65.6	99.7
Other 7/	111,024	79,611	85,572	77.1	107.5
Variety Meats 8/	25,074	22,584	22,106	88.2	97.9
Unclassified 9/	78,382	57,093	57,374	73.2	100.5
<b>Total Pork</b>	<b>606,936</b>	<b>471,125</b>	<b>495,610</b>	<b>81.7</b>	<b>105.2</b>
<b>Other</b>					
Veal	7,177	8,960	8,159	113.7	91.1
Lamb & Mutton	19,469	14,519	13,788	70.8	95.0
<b>Total</b>	<b>26,646</b>	<b>23,479</b>	<b>21,947</b>	<b>82.4</b>	<b>93.5</b>
<b>Total Beef, Pork, Other</b>	<b>1,096,229</b>	<b>924,884</b>	<b>950,373</b>	<b>86.7</b>	<b>102.8</b>
<b>Total Meat &amp; Poultry</b>	<b>2,244,512</b>	<b>1,796,426</b>	<b>1,859,857</b>	<b>82.9</b>	<b>103.5</b>

1/ Includes all boxed boneless beef, such as ground beef, roasts, steaks, loins, strips, rounds, trimmings, etc. Variety meats (edible offal), such as tongues, livers, hearts, kidneys and other organs removed from slaughtered beef are included as miscellaneous freezer stocks.  
 2/ Includes all boxed primal beef cuts, bone-in. 3/ Includes full ham, bone removed and individual muscles separate. 4/ Includes pork tenderloins. 5/ Includes spare ribs and back ribs.  
 6/ Includes 42% regular trimmings, 72% special trimmings, boneless picnic meat, jowls, neckbone trimmings, blade, cheek, head and shank meat, etc. Packaged bacon, sausage, and processed items such as hot dogs and luncheon meats, are included in miscellaneous cooler or freezer stocks. 7/ Includes ears, tails, feet, neckbones and snouts.  
 8/ Includes tongues, kidneys, livers, stomachs, hearts, chitterlings, salivary glands, and other organs. 9/ Includes product unable to be classified elsewhere in this report.

Get free real-time CME Globex quotes at [www.cmegroup.com/elivestockquotes](http://www.cmegroup.com/elivestockquotes).

**DRIVING FORCES BEHIND  
THE AG CREDIT MARKET**

MISS THE WEBINAR? VIEW OUR ARCHIVE ▶

The Daily Livestock Report is published by Steve Meyer and Len Steiner. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.