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CME Group
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Daily Livestock Report

E-Livestock Volume	2/27/09	2/26/09	2/20/09
LE (E-Live Cattle):	12,522	9,772	15,536
GF (E-Feeder Cattle):	1,594	1,244	2,286
HE (E-Lean Hogs):	14,323	8,919	11,203

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PRODUCTION AND PRICE SUMMARY

Week Ending 2/28/2009

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	618	615	0.49%	632	-2.23%	5,140	-5.8%
A	FI Beef Cow Slaughter	Thou. Head	63.6	61.5	3.35%	61.2	3.84%	445	-2.1%
T	Avg. Live Weight	Lbs.	1316	1317	-0.08%	1286	2.33%	1,312	1.7%
T	Avg. Dressed Weight	Lbs.	789	789	0.00%	775	1.81%	787	1.4%
L	Beef Production	Million Lbs.	486.1	483.2	0.60%	489.2	-0.63%	4,033	-4.4%
E	Live Fed Steer	$/cwt live wt.	79.91	79.48	0.50%	93.00	-14.10%		
	Dressed Steer	$/cwt carcass	129.73	128.27	1.10%	148.11	-12.40%		
	Georgia Feeder Steer	600-700 Lbs.	80.16	84.05	-4.60%	101.17	-20.80%		
	Beef Cutout	600-750 Choice	133.30	134.76	-1.10%	149.41	-10.80%		
	Hide/Offal	$/cwt live wt.	6.54	6.64	2.40%	10.90	-40.00%		
H	FI Slaughter	Thou. Head	2179	2214	-1.58%	2191	-0.55%	18,691	-5.9%
O	FI Sow Slaughter	Thou. Head	58.9	58.3	1.00%	64.3	-8.41%	419	-6.2%
G	Avg. Dressed Weight	Lbs.	204	204	0.00%	203	0.49%	204	0.1%
S	Pork Production	Million Lbs.	444.5	451.4	-1.53%	445.3	-0.18%	3,814	-5.8%
	Iowa-S. Minn. Direct	Avg.	53.48	60.09	-11.00%	56.82	-5.90%		
	Natl. Base Carcass Price	Weighted Avg.	57.80	60.74	-4.80%	59.02	-2.10%		
	Natl. Net Carcass Price	Weighted Avg.	60.02	62.94	-4.60%	61.37	-2.20%		
	Pork Cutout	185 Lbs.	56.31	57.61	-2.30%	60.45	-6.90%		
C	Young Chicken Slaughter*	Million Head	154.81	154.55	0.17%	166.70	-7.13%	1,088	-6.1%
H	Avg. Weight	Lbs.	5.48	5.48	0.00%	5.54	-1.08%	5.5	-0.2%
I	Chicken Production	Million Lbs.	848.37	846.93	0.17%	923.52	-8.14%	4,460	-6.1%
C	Eggs Set	Million	205.29	203.42	0.92%	219.31	-6.40%	1,619	-7.0%
K	Chicks Placed	Million Head	163.27	166.60	-2.00%	178.24	-8.40%	1,337	-5.9%
E	12-City Broiler	Composite	80.1	78.81	1.60%	80.78	-0.80%		
N	Georgia Dock Broiler	2.5-3 Lbs.	86.34	86.48	-0.20%	78.3	10.30%		
T	Young Turkey Slaughter*	Million Head	4.48	4.63	-3.24%	4.80	-6.55%	31.7	-4.9%
U	Avg. Weight	Lbs.	29.67	29.48	0.64%	29.26	1.40%	30.1	-0.6%
R	Turkey Production	Million Lbs.	133.0	136.6	-2.61%	140.3	-5.24%	763	-5.0%
K	Eastern Region Hen	8-16 Lbs.	75.00	77.67	-3.40%	77.4	-3.10%		
F	Corn, Omaha	$ per Bushel	3.44	3.42	0.60%	5.27	-34.70%		
E	DDGS, Minnesota	$ per ton	120.00	125.00	-4.00%	161.50	-25.70%		
E	Wheat, Kansas City	$ per Bushel	5.17	5.18	-0.20%	11.30	-54.20%		
D	Soybeans, S. Iowa	$ per Bushel	8.72	8.61	1.30%	NQ	NA		
	SB Meal, 48% Central Illinois	$ per Ton	277.50	282.50	-1.80%	364.20	-23.80%		

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

We have discussed the rather obvious fact that demand is a huge risk factor for 2009 and, since we doubt that the people in charge in Washington are going to offer any meat demand stimulus packages, our concern remains high. The year-on-year change figures in this week's Production and Price Summary add some credence to those concerns. FI cattle slaughter was DOWN 2.23% last week from one year ago at the same time that live and dressed steer prices were DOWN as well. Not exactly a relationship that supports a downward sloping demand curve. FI hog slaughter and hog prices last week were also both below the levels of one year ago. Chicken slaughter/production and the 12-city composite broiler price had the same year-on-year change signs last week — though the Georgia dock broiler price, which represents a smaller bird usually destined for foodservice, was over 10% higher this year. Even turkey prices were lower last week versus 2008 while turkey supplies were down over 6.5%.

We have seen some instances of this in past weeks, especially in the beef sector but this is the first week that the relationships was expressed in all species. We fully realize that one week does not a trend make but the breadth of these same-sign relationships at farm and wholesale levels are troubling and are certainly worthy of watching closely in weeks to come.

Now we wouldn't be living up to our economist pedigree if we didn't chime in with an "On the other hand . . . " — so consider the most recent demand information from the University of Missouri. Professor Glenn Grimes' released demand indexes last week for the 3-month period from November through January that indicate that U.S. consumer-level demand actually improved relative to one year ago. Grimes figures show pork demand up 2%, beef demand up 1%, broiler demand up 5.6% and turkey demand up 3.8% during that period. In addition, live hog demand was 1% higher while fed cattle demand was down 5.1%.

How do these square with recent markets? First, remember that they are for November through January and markets have been pummeled by continued bad news and negative expectations since then. Second, Professor Grimes quite correctly uses deflated retail prices as part of his calculations to determine the whether a demand curve has moved. Under "normal" inflationary conditions, these real prices generally fall from year to year, requiring a larger per capita consumption increase if an increase of demand is to be shown. But from November through January, there was no inflation (the all-item CPI actually fell by 1.3 points or 0.6%). That means that smaller volume increases (or, depending on what direction retail prices moved, even volume declines) were needed to conclude that demand had increased. And the domestic per capita consumption increases needed to support a conclusion that demand is higher are much easier to come by now as exports have softened. Finally, the retail prices of all species are significantly higher than one year ago as the retail market finally responds to the lower domestic availability that started last year when exports increased.

Which of these dueling demand stories will prevail in 2009? The answer to that will be a major determinant of livestock and meat prices.