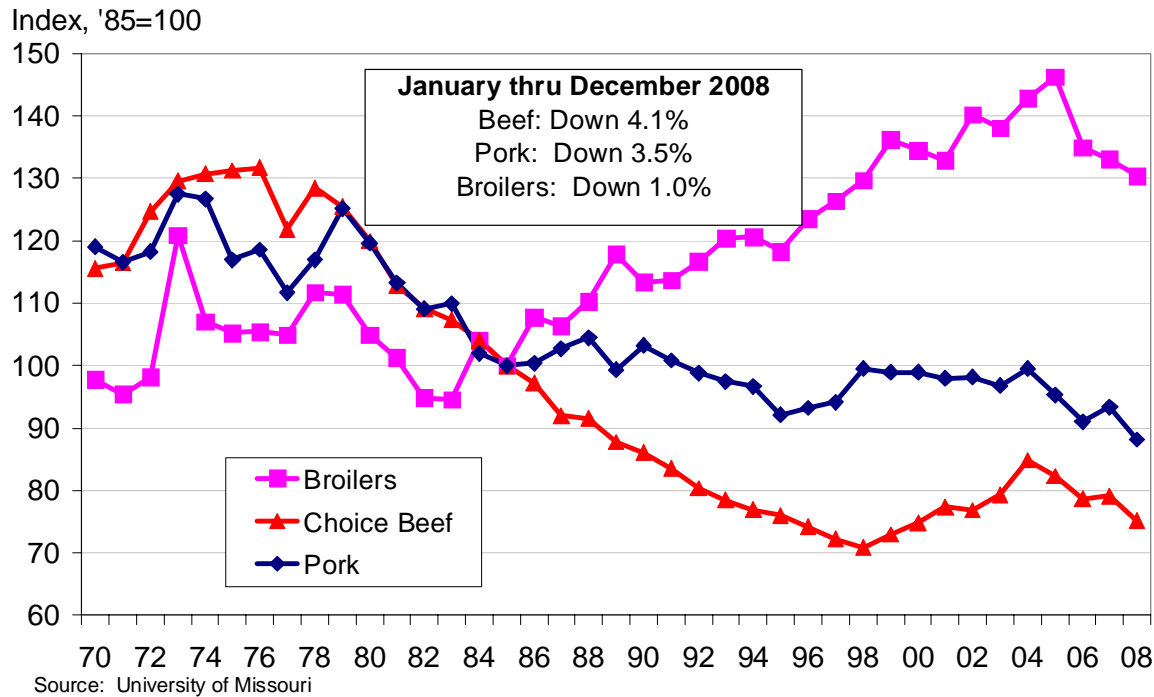


Daily Livestock Report

E-Livestock Volume	2/4/09	2/3/09	1/28/09
LE (E-Live Cattle):	7563	12179	11245
GF (E-Feeder Cattle):	689	663	953
HE (E-Lean Hogs):	10896	9462	14129

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U.S. CONSUMER DEMAND INDEXES



Staying with our recent demand theme — the University of Missouri's latest updates of its demand indexes showed a slight improvement in December though year-to-date indexes remain well below the level of 2007. Professor Glenn Grimes computes the numbers monthly and has used estimates for December exports to arrive at these figures. Actual export data for December will be released February 11.

Professor Grimes' indexes estimate that the demands for chicken, beef and pork all declined in 2008. Pork and broiler demand were ahead of 2007's level through April but weakened steadily through November. Pork demand gained 0.1% in December to close the year 4.1% lower than in 2007. Broiler demand gained a full 1% in December to end the year 1% lower than one year earlier.

Beef demand was below the level of 2007 in Grimes' first estimate in March. It, too, declined through November but gained 0.9% in December.

These calculations use an assumed elasticity of demand (these use -0.75) and the actual percentage change in domestic per capita consumption to compute an expected percentage price change. The actual price change, based on USDA's retail meat prices, is then compared to the expected change and the difference is attributed to a change in demand — ie. a move of the entire downward-sloping demand curve in the P-Q space of a normal supply-demand diagram. The computation makes no inference as to why the demand curve moved.

Pork and chicken exports in 2008 followed the same seasonal pattern as was shown for beef yesterday — major surges in the summer months before declining in the fall. Those export surges when the U.S. dollar was at its weakest may be having a disproportionate impact on these domestic demand indexes. The reason is that higher exports manifest themselves as lower computed domestic consumption since consumption is, in fact, the residual of total supply (beginning inventory plus imports plus production) over total MEASURED usage (exports and ending inventory). Lower domestic consumption would mean lower domestic per capita consumption, meaning that retail prices would have to rise — perhaps sharply — for demand to be stable in these calculations.

Retail prices did not rise that quickly in 2008 but showed signs of responding late in the year. Both beef and pork set records for retail price in September with the all-beef price reaching \$4.112/retail lb. and the pork price reaching \$3.026/retail pound. Chicken set a record for the composite broiler price at \$1.793/retail lb. in November. With the ongoing reductions in all three sectors, these prices may well rise further — depending, of course, on whether demand holds up in 2009.

Perhaps a more concerning aspect of the chart is the recent downtrend for all three species. It has been all downhill since the Atkins diet and 2008 just added another observation to the new trend(??). Lower incomes will likely pressure the indexes again in 2009.

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