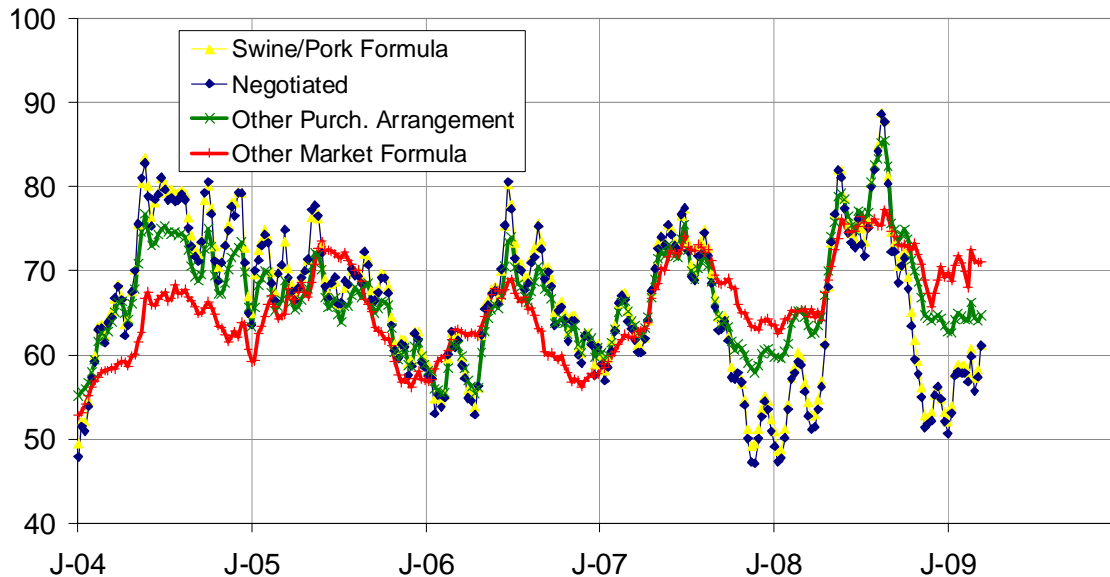


E-Livestock Volume	3/23/09	3/20/09	3/16/09
LE (E-Live Cattle):	10,251	13,492	14,451
GF (E-Feeder Cattle):	1,154	1,117	1,851
HE (E-Lean Hogs):	16,291	9,080	12,905

Free real-time Globex quotes: www.cmegroup.com/elivestockquotes

WEEKLY NATIONAL AVERAGE HOG PRICES BY PURCHASE TYPE

\$/cwt carcass



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ERRATA: Our statement in Friday's edition that ham inventories were 15% higher than one year ago was incorrect. Total ham inventories on February 28 were 97.304 million lbs., 5% higher than last year and 11% higher than at the end of January. Boneless ham stocks at the end of February were 50.163 million lbs., 15% higher than at the end of January. We apologize if we caused any confusion. The numbers in the Cold Storage table on page 2 of Friday's edition were correct.

Virtually every analyst that we know considers meat and poultry demand to be the number one risk factor for 2009 and there was some good news on the meat demand front on Friday. Professor Glenn Grimes at the University of Missouri released his demand indexes for the December through February quarter and the indexes for both beef and pork were higher than one year ago. Consumer level beef demand was 3.4% higher than one year ago while pork demand at the same level was up 1.6%. Note that we say "consumer level" since these indexes do not separate retail and foodservice. They use only the retail price since a) no separate prices are published for the price of meats sold to consumers through foodservice (and separating the meat portion of a dinner bill would be very difficult) and b) if foodservice sales rise, supplies available to retail will fall and drive retail prices upward. That is, the retail price is an effective shadow price. You can argue with that logic but the truth is that the retail price is all that we have to work with so this is about the best we can do.

Fed cattle and live hog demand did not fare nearly so well with cattle demand falling 7.1% short of year-ago levels and hog demand falling 1.5% short. That finding is no surprise to cattle feeders who have seen prices lower than one year ago in spite of lower slaughter levels. And lower hog slaughter runs have not driven prices up by nearly the expected -3:1 ratio that has characterized recent years' markets. Lower pork packer margins were not enough to offset the impact of lower exports while higher beef packer margins in December and January more than offset the positive impact of higher beef exports and better consumer-level beef demand.

BUT CONSUMER-LEVEL DEMAND APPEARS TO BE HOLDING UP. Chicken and turkey indexes will be available this week.

Hog prices published by USDA under the mandatory price reporting law have exhibited large spreads between the four pricing method categories. The graph at left shows weekly averages and the "Other Market Formula" series, which is comprised almost entirely of prices based on CME Lean Hogs futures has been FAR above the Negotiated and Swine/Pork Market Formula prices (ie. the "spot" market) for much of the past 20 months. So have "Other Purchase Arrangement" prices which are, generally, prices tied to production costs or feed prices. The only trouble with this price, though, is that it has hardly ever been high enough to actually cover producers' average costs. These contracts paid just over \$64/cwt carcass in Jan and Feb. Iowa State University estimates that breakeven costs were \$70-\$72/cwt carcass in those months.