

## Daily Livestock Report

**It has been a long, cold winter and early spring for wholesale meat markets with lower supplies having little or not impact on steady or falling wholesale prices most weeks.** This doesn't necessarily mean that consumer level demand is lower. As we have reported in DLR, quarterly demand indexes from the University of Missouri actually indicate that consumer meat demand levels have been higher than one year ago. But the wholesale markets have lagged, at least partially due to ample stocks of frozen meat and poultry. Those inventories ran anywhere from 4 to 21% higher than one year ago every month from December 2007 through January 2009. February marked the end of that run of year-on-year increases when total meat and poultry stocks were 1.7% lower than in February 2007. This slight tightening of supplies should set the stage for stronger prices this spring. But price rallies among the major species have been a hard to come by. March 31 cold storage inventories will be released next Monday.

When considered in their historical context (see the 5-year average lines in the charts at right), that should not be a surprise. Weighted average wholesale boiler, pork and beef prices are usually flat in the first quarter of the year. Pork gets a bit of boost each spring as ham prices rise on Easter ham demand but there are very few other demand stimulators after New Year's Day and that other important holiday, Super Bowl Sunday.

And output reductions have not done the trick this year either. Yesterday's Production and Price Summary showed that YTD cattle slaughter is 7.8% lower than last year and beef production is down 5.4% with the difference being accounted for by higher slaughter weights (23 pounds last week!). Hog slaughter is down 5% so far in '09 while pork production is 4% lower. Chicken slaughter is an astonishing 8% lower this year while chicken production is nearly 9% lower. Total beef, pork, chicken and turkey output this year is 5% lower than last year.

A major concern has been the inability of chicken producers to push prices upward even with such Draconian cuts to production — 9% less product in a business whose standard operating procedure just a few years ago was 4% higher production every year. But last week finally saw some price impact as 12-city wholesale broilers rose \$2.48/cwt. Of course, the quoted prices of various chicken parts did not match this increase of whole bird prices so even this rally may not be a harbinger. One interesting note about chicken prices — note how much higher than the 5-year average the 12-city bird price has been since January 2007. But even those higher prices are still not high enough to provide consistent profits.

Meanwhile, pork and beef cutout values are still trading sideways but history tells us that the normal spring rallies should be here. Lent is over and baseball season is here. Meat demand normally strengthens in April as the weather warms. Rallies of up to \$20/cwt are not uncommon for pork as are \$10 to \$15 rallies for beef cutout values.

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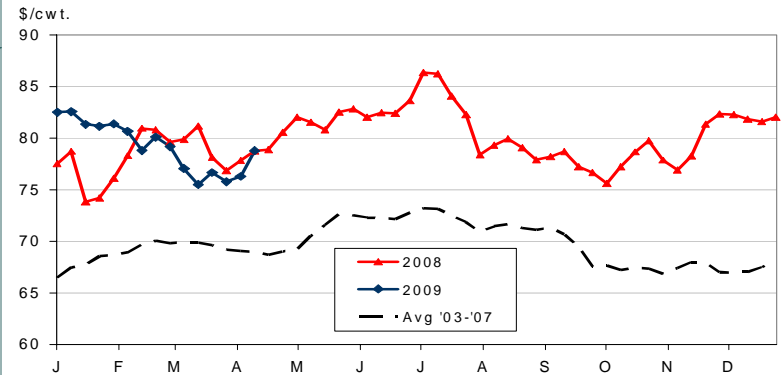
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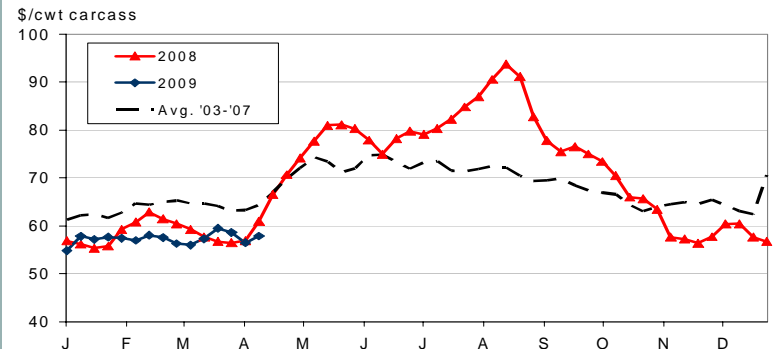
E-Livestock Volume	4/14/09	4/13/09	4/7/09
LE (E-Live Cattle):	10,107	8,843	9,382
GF (E-Feeder Cattle):	1,927	1,290	1,554
HE (E-Lean Hogs):	13,056	6,320	13,534

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