

Daily Livestock Report

Vol. 8, No. 63/ April 5, 2010

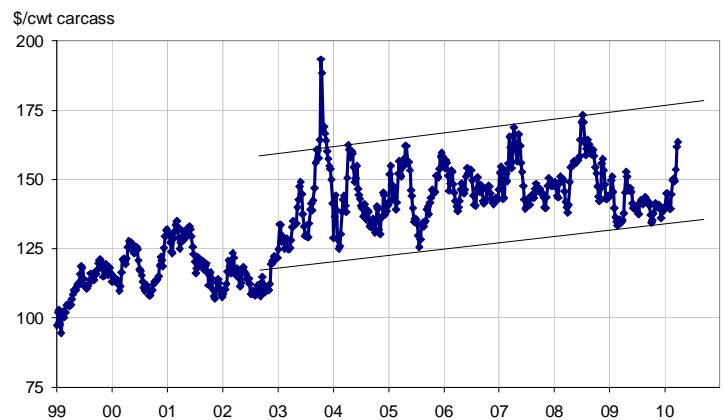
It was almost a shame to have to take the day off if you were a seller of livestock futures as CME Group Lean Hogs, Live Cattle and Feeder Cattle futures all posted healthy gains in last week's trade that was abbreviated by the Good Friday holiday. Lean Hogs futures regained all of the ground lost the week before the March 26 quarterly Hogs and Pigs Report with every contract on the board except the nearby April making new contract-life highs. Lean Hogs contracts gained, generally, from \$4 to \$6 for the week. When combined with declines in prices of corn and soybean meal, the Lean Hogs rally indicates a very good possibility that hog sales for the remainder of 2010 will be PROFITABLE for pork producers. Our model says that March sales were marginally profitable for average Iowa farrow-to-finish producers, ending a string of losses in 27 of the past 29 months. If the average Iowa farrow-to-finish loss for that time applied to every hog sold, pork producers lost roughly \$6.2 billion in equity in spite of a record export year, record cutout values and near-record hog prices in 2008. Readers should not ethate these profit and loss calculations, which use Iowa State University's production parameters, assume that producers buy grain and sell hogs in spot markets as needed. Producers who successfully use futures and options to reduce risk, enhance selling prices or reduce buying prices would have seen higher profits and many producers did just that over the past three years. Even allowing for better risk management, however, leaves October 2007 through February 2009 as perhaps the worst 29 months in the industry's history.

Live Cattle futures, following the LH lead, regained about half of the previous week's losses last week. LC contracts gained \$2-\$4/cwt for the week and contributed, along with those lower corn futures prices, to a sharp rally in CME Group Feeder Cattle futures that carried all currently-traded FC contracts to new contract-life highs. The rally will almost surely encourage higher prices for cash feeder cattle and calves which have already gained roughly \$10 and \$15/cwt, respectively since January. It is pretty amazing at how quickly cattle feeders can bid away profits in the mad rush to own feeder cattle! A major question will be the impact of higher calf prices on beef cow retention and slaughter.

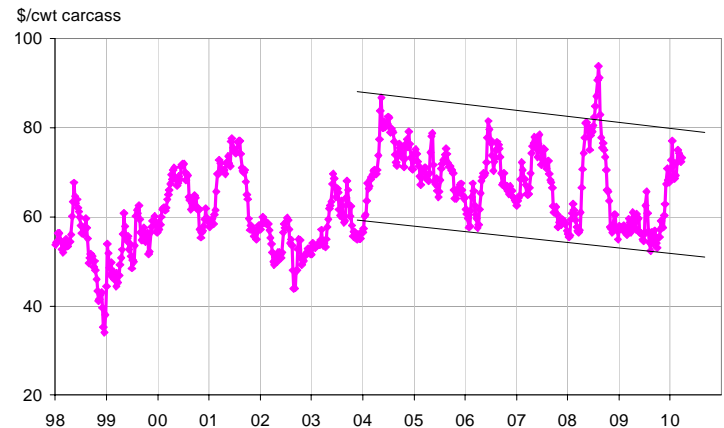
The beef cutout value continued to climb last week while USDA's pork cutout value ended a three-week slide of nearly \$2/cwt with a \$0.86/cwt gain. The Choice beef cutout value grew to \$163.47/cwt., 1.1% higher than the previous week and 20.9% higher than one year ago. This level is significant in that only 4 weeks in April-May 2007 and four weeks last July stand between current cutout values and the post-Canadian-BSE highs of October 2003. As can be seen, beef cutout values have been on a slight uptrend since 2003. One driver of that growth has been the long but steady restoration of export markets that were closed when BSE was discovered in the U.S. in late 2003.

The pork cutout value, on the other hand, has been in a steady downtrend since 2004. The only exception to that downtrend was the export-induced peak during the summer of 2008. Growing output (both slaughter and production set consecutive annual records each year from 2004 through 2008) was the main reason and higher productivity has been the primary driver of higher output. Note that 2009 saw nothing of the usual summer-time hog price rally when H1N1 influenza damaged U.S. markets briefly but had a larger impact on exports.

600-900# CHOICE BEEF CUTOUT VALUE



HOG CUTOUT VALUE, 51-52% LEAN



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PRODUCTION AND PRICE SUMMARY

| | | Week Ending 4/3/2010 | | | | | | | |
|----------|-------------------------------|----------------------|-----------|-------------|-----------|-------------|---------|-------------|-------|
| Item | Units | Current Week | Last Week | Pct. Change | Last Year | Pct. Change | YTD | Pct. Change | |
| C | FI Slaughter | Thou. Head | 637 | 615 | 3.58% | 618 | 3.05% | 8,275 | 1.1% |
| A | FI Beef Cow Slaughter | Thou. Head | 62.4 | 65.6 | -4.97% | 57.0 | 9.38% | 802 | 8.9% |
| T | Avg. Live Weight | Lbs. | 1271 | 1278 | -0.55% | 1297 | -2.00% | 1,285 | -1.9% |
| T | Avg. Dressed Weight | Lbs. | 765 | 767 | -0.26% | 787 | -2.80% | 771 | -2.3% |
| L | Beef Production | Million Lbs. | 485.6 | 469.6 | 3.41% | 477.7 | 1.65% | 6,353 | -1.3% |
| E | Live Fed Steer | \$/cwt live wt. | 96.24 | 95.95 | 0.30% | 84.73 | 13.60% | | |
| | Dressed Steer | \$/cwt carcass | 155.77 | 152.14 | 2.40% | 134.61 | 15.70% | | |
| | OKC Feeder Steer | 600-700 Lbs. | 115.90 | 115.07 | 0.72% | 102.59 | 12.98% | | |
| | Beef Cutout | 600-750 Choice | 163.47 | 161.73 | 1.10% | 135.20 | 20.90% | | |
| | Hide/Offal | \$/cwt live wt. | 10.22 | 10.20 | 0.20% | 5.85 | 74.70% | | |
| H | FI Slaughter | Thou. Head | 2179 | 2188 | -0.41% | 2163 | 0.75% | 28,271 | -4.4% |
| O | FI Sow Slaughter | Thou. Head | 61.4 | 61.6 | -0.44% | 61.4 | -0.05% | 699 | -3.1% |
| G | Avg. Dressed Weight | Lbs. | 204 | 203 | 0.49% | 204 | 0.00% | 203 | -0.5% |
| S | Pork Production | Million Lbs. | 443.7 | 444.8 | -0.25% | 441.5 | 0.50% | 5,743 | -4.9% |
| | Iowa-S. Minn. Direct | Avg. | 69.03 | 67.23 | 2.70% | 57.03 | 21.00% | | |
| | Natl. Base Carcass Price | Weighted Avg. | 66.75 | 67.25 | -0.70% | 57.68 | 15.70% | | |
| | Natl. Net Carcass Price | Weighted Avg. | 69.12 | 69.64 | -0.70% | 59.88 | 15.40% | | |
| | Pork Cutout | 185 Lbs. | 73.25 | 72.39 | 1.20% | 56.49 | 29.70% | | |
| C | Young Chicken Slaughter* | Million Head | 157.87 | 159.74 | -1.17% | 155.52 | 1.51% | 1,904 | 2.3% |
| H | Avg. Weight | Lbs. | 5.54 | 5.58 | -0.72% | 5.50 | 0.73% | 5.6 | 1.2% |
| I | Chicken Production | Million Lbs. | 874.58 | 891.35 | -1.88% | 855.36 | 2.25% | 7,877 | 3.6% |
| C | Eggs Set | Million | 205.33 | 207.77 | -1.18% | 199.82 | 2.76% | 2,659 | 1.1% |
| K | Chicks Placed | Million Head | 169.18 | 170.02 | -0.49% | 167.01 | 1.30% | 2,175 | -0.1% |
| E | 12-City Broiler | Composite | 85.28 | 85.77 | -0.60% | 75.80 | 12.50% | | |
| N | Georgia Dock Broiler | 2.5-3 Lbs. | 84.26 | 83.98 | 0.30% | 84.64 | -0.40% | | |
| T | Young Turkey Slaughter* | Million Head | 4.32 | 4.45 | -2.85% | 4.46 | -3.05% | 52.1 | -4.3% |
| U | Avg. Weight | Lbs. | 30.01 | 29.41 | 2.04% | 29.35 | 2.25% | 30.0 | 0.8% |
| R | Turkey Production | Million Lbs. | 129.8 | 130.9 | -0.87% | 130.9 | -0.87% | 1,251 | -3.6% |
| K | Eastern Region Hen | 8-16 Lbs. | 82.90 | 83.00 | -0.10% | 77.07 | 7.60% | | |
| F | Corn, Omaha | \$ per Bushel | 3.34 | 3.45 | -3.19% | 3.91 | -14.60% | | |
| E | DDGS, Minnesota | \$ per ton | 89.00 | 89.00 | 0.00% | 120.00 | -15.80% | | |
| E | Wheat, Kansas City | \$ per Bushel | 4.03 | 4.11 | -1.95% | 5.62 | -28.29% | | |
| D | Soybeans, S. Iowa | \$ per Bushel | 9.43 | 9.38 | 0.53% | 9.88 | -4.60% | | |
| | SB Meal, 48% Central Illinois | \$ per Ton | 276.40 | 278.40 | -0.72% | 304.90 | -9.30% | | |

* 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

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