

# Daily Livestock Report

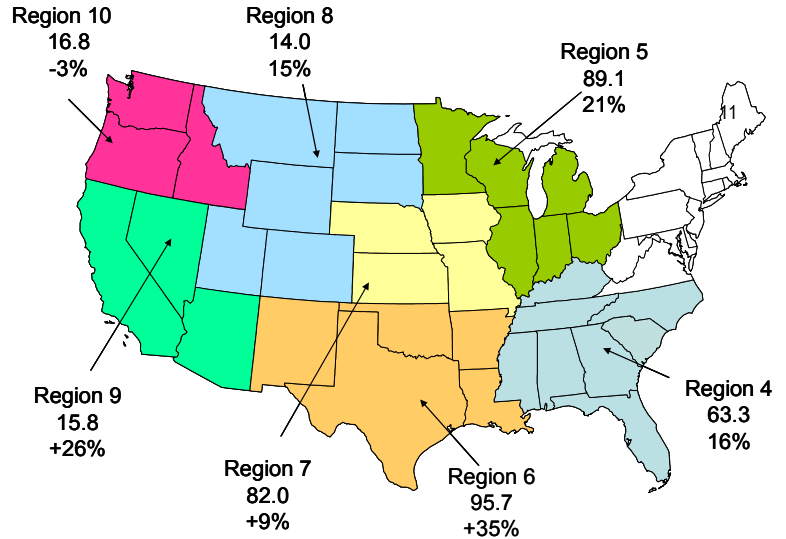
Vol. 8, No. 82 / April 30, 2010

## Market Comments

**US beef cow slaughter rates remain well above year ago and five year average levels.** This may be good news for beef processors looking to fill orders for ground beef products going into the grilling season but it does not bode well for the US beef market in 2011 and 2012. Despite sharply higher prices for feeder cattle and an improved outlook in the cattle complex, cow-calf producers have yet to show signs of ending the beef cow herd liquidation. Except for a brief, and very modest beef cow herd increase in 2005 and 2006, the US beef cow inventory has been declining since 1996. The January 2010 beef cow inventory was pegged at 31.375 million head, almost 4 million head or 11.2% smaller than in 1996. We used to talk of the cattle cycle but the ongoing liquidation of the beef cow inventory is looking increasingly

The latest beef cow slaughter data from USDA shows higher beef cow slaughter rates throughout the major production regions. The graphic to the right illustrates the breakdown in regional beef cow slaughter. Total beef cow slaughter in the Southern Plains (region 6) during the last six reported weeks was 95,700 head, 16,500 head or 21% higher than a year ago. This region accounts for about 29% of the overall beef cow inventory and it contributed 35% to the national beef cow slaughter. Beef cow slaughter in IA, NE, MO, and KS (region 7) during this period was 82,000 head, 7,000 head or 9% higher than a year ago. Overall beef cow slaughter for the last six reported weeks was 388,600 head, 47,500 head or 14% higher than the comparable period a year ago. A number of factors continue to drive US cow slaughter at the moment. Demand for grinding beef remains very strong as limited imports of lean grinding beef from Australia and New Zealand have caused more foodservice operators to source more of that component in the domestic market. Demand also has been good given a number of high profile hamburger promotions from large foodservice operators, promotions that were likely planned before the shortage of imported beef developed. The strong demand has pushed US domestic grinding beef prices sharply higher. US fresh 90CL boneless beef prices are up 16% compared to a year ago while cow carcass prices are up 13.5%. As cow carcass and cow meat prices have moved up, producers remain in a very difficult economic situation. There are some estimates that indicate producer profits will be good in 2010 and likely in 2011. That does not change the fact that many of those producers likely significant declines in their equity during the big recession of 2008-09 and likely have large loans they need to pay off. For some, the recent surge in prices is a good opportunity to divest some of their assets at high prices and get on a firmer footing. As for imports of Canadian cows, the impact on supplies in recent weeks has been relatively small. In the last six weeks, imports of Canadian slaughter cows were 22,862 head, up just 2,088 head or 10% compared to a year ago and accounting for just 4% of the increase in US beef cow slaughter.

**US Beef Cow Slaughter By Region (March 8 - Apr 17)**  
(000 head, % comparison to a year ago, USDA)



Get free real-time CME Globex quotes at [www.cmegroup.com/elivestockquotes](http://www.cmegroup.com/elivestockquotes).

**DRIVING FORCES BEHIND  
THE AG CREDIT MARKET**

MISS THE WEBINAR? VIEW OUR ARCHIVE ►

The Daily Livestock Report is published by **Steve Meyer** and **Len Steiner**. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com).

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2009 CME Group. All rights reserved.