

Daily Livestock Report

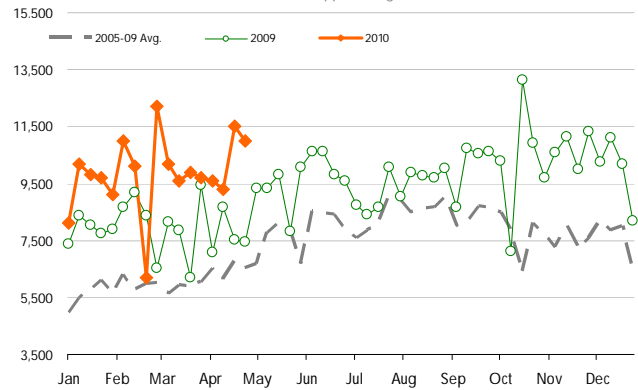
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Market Comments

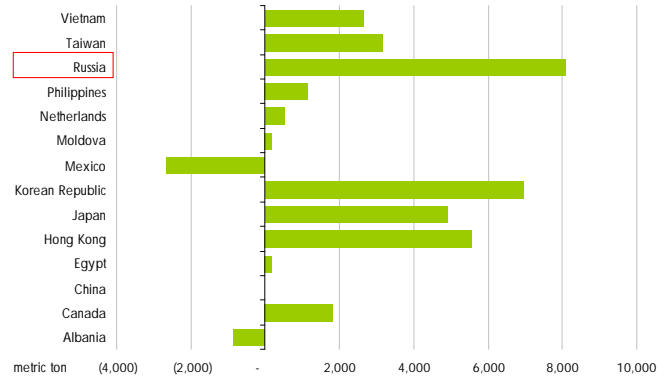
The bungee jump of equity markets yesterday was a reminder that **while financial innovation has created more efficient markets, it also has made for markets that can crumble just as efficiently.** Sharply lower equity values followed a day that saw a significant spike in the value of the US currency, seemingly still an anchor of some stability in an increasingly volatile world. While the Euro and other currencies gained back some of the lost value in overnight trading, they are down sharply compared to just a few days ago. We have mentioned often in this letter that export demand for meat products will be a significant driver for meat prices in 2010 and the ongoing uncertainty in global markets as well as the strong US dollar could negatively affect US beef, pork and chicken exports. Also, if the global economic recovery is cut short due to a full blown debt and currency crisis in Europe, it could undermine demand for US meat products from emerging and developing countries.

The only market for which we have up-to-date export information is beef so **we decided to look at the latest beef export data.** As the top chart shows, US beef exports continue to trend significantly above year ago levels. For the week ending April 29, exports of US beef muscle cuts were reported to be 11,000 MT, a whopping 47.8% higher than a year ago. And this is not just a one week fluke. In the last four weeks, US exports of beef muscle cuts were an estimated 41,400 MT, 10,672 MT or 34.7% higher than a year ago. Beef supplies in the US market are tight in part because of very low placement numbers in late 2009 as well as low cattle carcass weights. However, the surge in beef exports has clearly supported the market in April, with cattle futures for the month (April) closing at almost \$100/cwt. Live cattle futures may be a bit lower following all the panic in outside markets yesterday but they still remain near contract highs at around \$96.3 /cwt (June live cattle). Looking a bit closer at the export data, we can see where much of the growth is coming from. It would probably surprise many that the biggest gains in US beef exports so far this year have been in shipments to Russia. Russia is not traditionally a large buyer of US beef but it has become increasingly active, especially for specific cuts, such as inside rounds (think roast beef). During the first four months of this year, exports of muscle cuts to Russia were around 8000 MT (compared to almost zero last year), and accounting for almost a quarter of the overall increase this year (see chart above). In 2008, Russian buyers also were very active in the global beef and pork trade. They also showed they could leave just as quickly (and sometimes renege on deals) following a collapse in commodity values.

US WEEKLY EXPORTS OF BEEF MUSCLE CUTS - TOTAL
Metric Ton, Shipped Weight, FAS/USDA



YTD CHANGE IN US BEEF EXPORTS BY COUNTRY
BASED ON WEEKLY BEEF EXPORTS FOR PERIOD JAN - APR 2010 VS. JAN - APR 2009



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