



## Industry News - AM

### Beef packers cut slaughter, boost cutout prices amid tight supplies

By Tom Johnston on 2/9/2012

Historically tight supplies of cattle have forced major U.S. beef packers to sharply reduce slaughter operations, and more cuts could be coming, analysts and company officials say.

Weekly steer and heifer slaughter is about 468,000 head, some 7 percent lower than year-ago levels, livestock analysts Steve Meyer and Len Steiner wrote in Wednesday's CME Group Daily Livestock Report.

"Packers have been working reduced hours on Fridays and Saturdays for the last three weeks, and the result is showing up in the boxed beef market as retailers and foodservice operators looking for spot loads are now forced to pay higher money," the wrote.

The choice cutout was \$185.70 per hundredweight on Tuesday, almost \$2.60 higher than on Friday and nearly \$16 per hundredweight higher than a year ago. The select cutout, meanwhile, closed at \$180.10 per hundredweight, almost \$13 higher than a year ago, the analysts noted.

Packers have been operating in a new normal and expect to be challenged by the supply squeeze.

Tyson Foods Inc.'s beef operations, for example, had been operating between 32 and 36 hours per week in every plant through January, Chief Operating Officer Jim Lochner told analysts earlier this month.

In its first fiscal quarter (October, November, December), Tyson cut production by 4.6 percent, and the entire industry reduced production by 3.6 percent.

Tyson, Lochner said, is "just really watching the acute numbers and what's going on week to week, which is how you really manage these businesses."

Cargill declined to comment on specific hours of operation. "We have adjusted hours of operation commensurate with margin pressure," spokesman Mike Martin told **Meatingplace**.

In the weeks ahead, packers can expect further tightening.

"From the numbers I hear, I think more cuts are likely," Greater Omaha Packing Executive Vice President Angelo Fili told **Meatingplace**. "Lent is coming soon enough, too."