CME Group

Daily Livestock Report

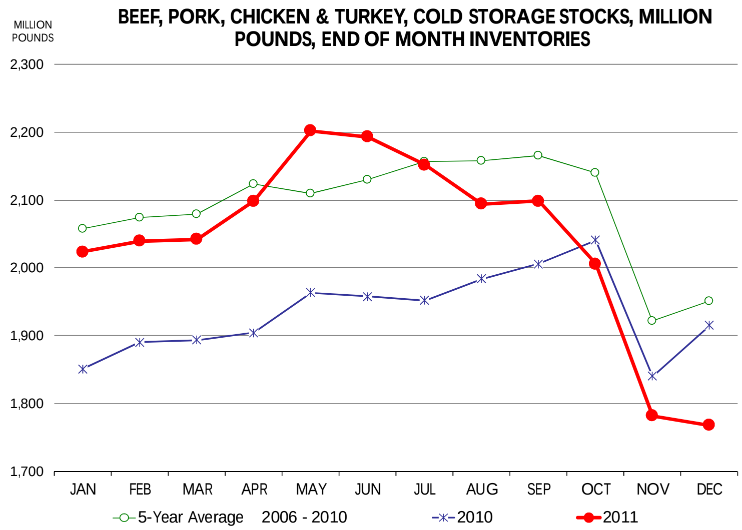
Vol. 10, No. 15 / January 23, 2012

Market Comments

USDA released on Friday its monthly update on cattle on feed supplies and meat protein stocks in cold storage and, overall, the data was supportive of meat prices in the short to medium term. Below is a brief recap of these two reports with a data summary on page 2. On page 3 we have included our regular weekly price and supply recap:

Cattle on feed: The cattle on feed survey results were very close to pre-report estimates and will likely be viewed as neutral by futures markets when they open this morning. While the survey indicated that on January 1 total feedlot inventories were 3% higher than a year ago, market participants remain concerned about the prospects of US beef supplies this summer. As expected, feedlots placed 5.9% fewer cattle on feed than last year and the expectation is that placements will remain light in the next three months due to better feed conditions, including better wheat pastures, and tight feeder supplies. The CME feeder cattle index on Thursday was quoted at $150.39/cwt., a new all time record high. Feedlots also continue to place younger cattle on feed than they did a year ago. The survey showed that feedlots placed 550,000 head of cattle weighing less than 600 pounds, a 16% increase from year ago levels for this category. Placements of cattle over 600 pounds were down 14% compared to last year. The trend towards placing younger cattle on feed has been going on for some time and it implies much longer marketing windows and tighter market ready supplies than what the headline inventory number implies.

Cold Storage: Pork supplies in cold storage at the end of December were estimated at 481.7 million pounds, 2.7% lower than the previous month and just 1.2% higher than a year ago. Inventories of hams were 56.3 million pounds, 42% lower than the previous month and 18.5% lower than a year ago. The depletion of ham stocks was greater than the five year average level and should be seen as generally positive for ham values and the pork market overall going into Easter. In our view the ham market continues to be somewhat soft due to the lack of export demand from Mexico, a market that in the past used to be a big buyer of US hams. High US ham prices, commensurate with high hog and pork values, as well as a weaker Mexican peso have combined to limit Mexican demand for US hams. Still, the fact that ham inventories are now almost 20% lower than a year ago should help set a bottom for ham values, particularly as buyers start to prepare for the Easter ham business. Pork belly inventories at the end of December were 41.0 million pounds, 18.9% lower than a year ago and 19.6% lower than the five year average. Lower belly stocks also are supportive for pork values going into the spring. Normally end users start to bolster frozen belly inventories as a way to hedge their summer needs., Belly accumulation is well behind previous years, implying more aggressive accumulation between January and April.



Beef inventories as of December 31 were 451.2 million pounds, 1.4% higher than a year ago but still 3.3% lower than the five year average. Inventories of boneless beef rose in November and December, likely reflecting larger imports than a year ago.

By far **the most bullish indicator in the storage report was the sharp decline in broiler supplies**. Total broiler stocks were reported to be 629.1 million pounds, 21.6% lower than a year ago and 12.5% lower than the five year average. Stocks of chicken leg quarters were down 31.9% from last year while inventories of wings were down 38.9%.

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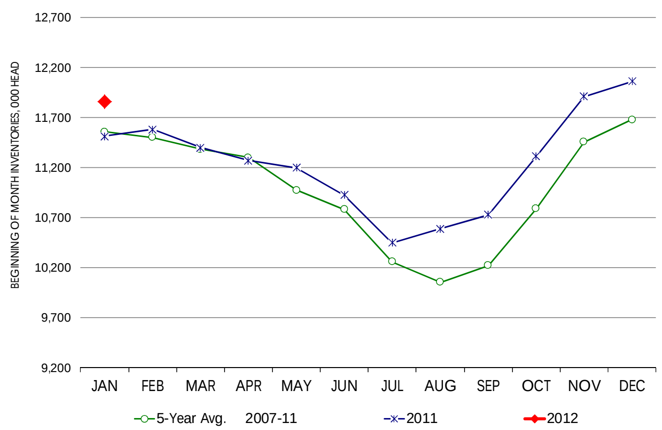
U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

	Number, Thousand Head			Current Year as Pct of Year Prior		
	2009/10	2010/11	2011/12	Actual	Estimates	Difference
Placed on Feed During Dec	1,526	1,789	1,683	94.1	94.2	-0.1
Fed Cattle Marketed Dec	1,745	1,830	1,796	98.1	97.0	1.1
On Feed January 1	10,983	11,514	11,861	103.0	103.3	-0.3

MONTHLY FED CATTLE INVENTORIES, US ALL CATTLE 1000+ CAPACITY



USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Dec-10	30-Nov-11	31-Dec-11	Dec-10	Nov-11
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	6,845	10,499	9,337	136	89
Hams, Total	67,965	94,747	55,363	81	58
Bone-in	27,684	48,889	16,817	61	34
Boneless	40,281	45,858	38,546	96	84
Bellies	50,677	26,599	41,122	81	155
Loins, Total	37,119	39,423	41,959	113	106
Bone-in	13,634	14,197	14,942	110	105
Boneless	23,485	25,226	27,017	115	107
Ribs	81,626	64,096	73,403	90	115
Butts	16,143	21,879	19,517	121	89
Trimmings	48,626	42,796	48,595	100	114
Other	87,437	103,220	96,166	110	93
Variety Meats	21,993	30,597	35,460	161	116
Unclassified	57,398	61,261	60,751	106	99
Total	**475,829**	**495,117**	**481,673**	**101**	**97**
Frozen Beef					
Boneless	389,440	379,390	391,158	100	103
Beef Cuts	55,523	62,156	60,041	108	97
Total	**444,963**	**441,546**	**451,199**	**101**	**102**
Other					
Veal	3,866	3,243	2,881	75	89
Lamb & Mutton	15,206	19,014	16,857	111	89
Total	**19,072**	**22,257**	**19,738**	**103**	**89**
Total Red Meat	**939,864**	**958,920**	**952,610**	**101**	**99**
Chicken					
Broilers (Whole)	17,563	16,225	17,694	101	109
Breasts and Breast Meat	135,312	138,481	129,646	96	94
Leg Quarters	116,333	71,682	79,209	68	111
Wings	67,671	48,103	41,378	61	86
Other Chicken	465,915	376,725	361,151	78	96
Total	**802,794**	**651,216**	**629,078**	**78**	**97**
Turkey					
Whole Turkeys	45,408	49,582	51,800	114	104
Turkey Breast	41,031	29,832	36,105	88	121
Other	105,121	114,813	117,774	112	103
Total	**191,560**	**194,227**	**205,679**	**107**	**106**
Ducks	2,505	2,606	2,402	96	92
Total Poultry	**996,859**	**848,049**	**837,159**	**84**	**99**

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PRODUCTION & PRICE SUMMARY

Week Ending 1/21/2012

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			21-Jan-12	14-Jan-12		22-Jan-11			
	Total Red Meat & Poultry	**mil lbs., cwe**	**1,709**	**1,638**	4.33%	**1,696**	0.76%	**4,216**	-4.5%
	FI Slaughter	Thou. Head	628	653	-3.83%	639	-1.68%	1,842	-3.6%
C	FI Cow Slaughter **	Thou. Head	123	114	7.15%	138	-10.92%	123	-10.9%
A	Avg. Live Weight	Lbs.	1311	1307	0.31%	1307	0.31%	1,308	0.1%
T	Avg. Dressed Weight	Lbs.	780	777	0.39%	784	-0.51%	779	-0.5%
T	Beef Production	Million Lbs.	488.5	506.2	-3.50%	498.8	-2.06%	1,432	-3.9%
L	Live Fed Steer Price	$ per cwt	125.68	122.99	2.19%	105.83	18.76%		
E	Dressed Fed Steer Price	$ per cwt	202.70	198.30	2.22%	170.43	18.93%		
	OKC Feeder Steer, 600-700	$ per cwt	155.60	155.60	0.00%	135.86	14.53%		
&	Choice Beef Cutout	$ per cwt	182.54	187.92	-2.86%	172.52	5.81%		
	Hide/Offal	$ per cwt, live wt	12.48	12.40	0.65%	12.76	-2.19%		
B	Rib, Choice	$ per cwt	252.71	259.37	-2.57%	238.01	6.18%		
E	Round, Choice	$ per cwt	167.11	174.05	-3.99%	164.10	1.83%		
E	Chuck, Choice	$ per cwt	156.89	163.00	-3.75%	156.27	0.40%		
F	Trimmings, 50%	$ per cwt	99.72	101.30	-1.56%	83.25	19.78%		
	Trimmings, 90%	$ per cwt	204.65	203.23	0.70%	187.00	9.44%		
	FI Slaughter	Thou. Head	2,221	2,212	0.41%	2,168	2.46%	6,497	0.4%
	FI Sow Slaughter **	Thou. Head	51.8	47.2	9.72%	56.7	-8.59%	52	-8.6%
H	Avg. Dressed Weight	Lbs.	209.0	207.0	0.97%	209.0	0.00%	209	-0.3%
O	Pork Production	Million Lbs.	462.6	459.1	0.76%	451.9	2.37%	1,354	0.2%
G	Iowa-S. Minn. Direct	Wtd. Avg.	83.80	83.13	0.81%	74.43	12.59%		
S	Natl. Base Carcass Price	Wtd. Avg.	83.02	82.00	1.24%	73.88	12.37%		
	Natl. Net Carcass Price	Wtd. Avg.	85.37	84.35	1.21%	76.00	12.33%		
	Pork Cutout	185 Lbs.	85.02	83.92	1.31%	85.52	-0.58%		
	Hams	$ per cwt	64.49	65.97	-2.24%	67.59	-4.59%		
	Loins	$ per cwt	97.68	92.67	5.41%	99.71	-2.04%		
	Bellies	$ per cwt	114.53	110.93	3.25%	110.91	3.26%		
C	Young Chicken Slaughter *	Million Head	153.9	135.2	13.84%	149.6	2.88%	289	-8.9%
H	Avg. Weight	Lbs.	5.65	5.71	-1.05%	5.74	-1.57%	5.68	-1.3%
I	Chicken Production	Million Lbs.	869.7	772.1	12.64%	858.8	1.27%	1,642	-10.1%
C	Eggs Set	Million	192.4	192.7	-0.15%	205.1	-6.18%	579	40.9%
K	Chicks Placed	Million Head	162.1	161.9	0.13%	168.2	-3.63%	487	44.6%
E	12-City Broiler Price	Composite	80.84	81.33	-0.60%	77	4.99%		
N	Georgia Dock Broiler Price	2.5-3 Lbs.	89.61	89.53	0.09%	84.35	6.24%		
	Northeast Breast, B/S	$/cwt	130.18	127.46	2.13%	111.33	16.93%		
	Northeast Legs	$/cwt	71.97	71.84	0.18%	51.52	39.69%		
T	Young Turkey Slaughter *	Million Head	4.125	3.683	12.00%	4.085	0.98%	7.808	-5.7%
U	Avg. Live Weight	Lbs.	31.87	31.67	0.63%	30.87	3.24%	31.77	3.1%
R	Turkey Production, Live Wt.	Million Lbs.	131.5	116.6	12.71%	126.1	4.25%	248	-2.8%
K	Eastern Region Hen Price	8-16 Lbs.	98.04	97.67	0.38%	89.00	10.16%		
G	Corn, Omaha	$ per Bushel	6.12	6.06	0.99%	6.25	-2.08%		
R	DDGs, Minnesota	$ per Ton	177.50	182.50	-2.74%	176.00	0.85%		
A	Wheat, Kansas City	$ per Bushel	6.42	6.45	-0.47%	8.25	-22.18%		
I	Soybeans, S. Iowa	$ per Bushel	11.96	11.78	1.53%	13.93	-14.14%		
N	Soybn Meal, 48% Decatur	$ per Ton	310.20	299.10	3.71%	374.80	-17.24%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.
** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.