CME Group
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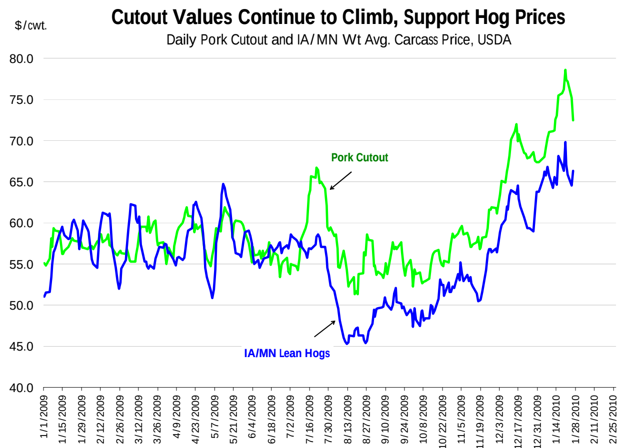
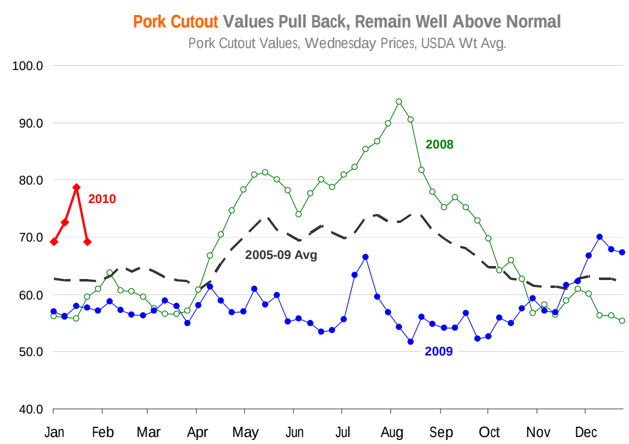
Daily Livestock Report

Vol. 8, No. 19/ January 29, 2010

Market Comments

After a sharp pullback, lean hog futures posted some modest increases on Thursday afternoon. Lean hog cash prices, IA/MN USDA wt. avg, was quoted on Thursday afternoon at $63.96/cwt, $3.1/cwt lower than the previous week but still some $4.5/cwt or 7.5% higher than the previous year. Wholesale pork values continue to lead the current market, with the cutout consistently above the price of hogs since last summer If anything, the spread has become even larger in recent days, which should be good news for packers and should allow them to be more aggressive in their bids going forward. Wholesale pork prices finally took a breather this week but the decline from week ago levels was no surprise for anyone watching this market. There is only so long you can defy gravity until you run out of power and come back to earth. As we have pointed out in this letter for the past few weeks, much of the sharp appreciation in pork values was due to weather induced supply disruptions. The supply chain appears to have recovered for the moment and most packers are operating at normal schedules. However, continued cold weather across much of the US Midwest will remain an issue, mostly affecting transportation. Hog slaughter so far this week is actually down about 1% compared to the same period a week ago and down 90,000 head or 5% compared to the first four days of the comparable week last year. Hog slaughter continues to run significantly behind last year's levels and it appears that the Hogs and Pigs data reported on December 30 missed the actual supply of hogs on the ground by a significant margin.





Going forward, the cash hog market should be well supported by strong sales in the domestic market as well as steady growth in export demand. One factor that could constrain exports is the sudden strength in the value of the US dollar, especially vs. the Euro. The value of the EU currency has dropped sharply in recent weeks as markets remain jittery about the financial situation of some EU members (especially Greece) and the potential impact this could have on the financial situation of the European Union as a whole. The US dollar has appreciated by 8% vs. the Euro since early December and the EU is the second largest pork supplier in the world behind the US. The US still enjoys a significant competitive advantage in pork production and its cost structure but the strong Euro could have an impact at the margin, especially in shipments to Eastern European markets. Overall, however, the outlook for pork prices going into the spring and summer is good, especially since pork producers will not have to contend with all the "flu" hysteria.

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PRODUCTION & PRICE SUMMARY

Week Ending 1/23/2010

	Item	Units	Last Week	Prior Week	Pct. Change	Last Year	Pct. Change	2010 YTD	Y/Y % Change
			23-Jan-10	16-Jan-10		24-Jan-09			
	FI Slaughter	Thou. Head	665	652	1.99%	642	3.51%	2,017	-0.9%
	FI Cow Slaughter **	Thou. Head	130	105	24.19%	136	-4.27%	235	0.2%
C	Avg. Live Weight	Lbs.	1294	1295	-0.08%	1311	-1.30%	1,296	-1.0%
A	Avg. Dressed Weight	Lbs.	778	778	0.00%	786	-1.02%	778	-0.7%
T	Beef Production	Million Lbs.	515.6	505.6	1.98%	503.3	2.44%	1,563	-1.5%
T	Live Fed Steer Price	$ per cwt	84.30	84.98	-0.80%	81.91	2.92%		
L	Dressed Fed Steer Price	$ per cwt	138.41	136.92	1.09%	131.80	5.02%		
E	OKC Feeder Steer Price	619-700 Lbs.	97.00	96.04	0.99%	97.58	-0.59%		
	Beef Cutout Value	619-900 Ch.	144.95	144.91	0.03%	150.98	-3.99%		
	Hide/Offal	$/cwt	9.41	9.38	0.32%	6.94	35.59%		
	FI Slaughter	Thou. Head	2,182	2,176	0.28%	2,242	-2.68%	6,698	-11.8%
	FI Sow Slaughter **	Thou. Head	59.0	43.9	34.36%	71.2	-17.09%	103	-13.5%
H	Avg. Dressed Weight	Lbs.	203.0	202.0	0.50%	204.0	-0.49%	203	-0.7%
O	Pork Production	Million Lbs.	440.9	438	0.66%	456.5	-3.42%	1,355	-12.7%
G	Iowa-S. Minn. Direct	Wtd. Avg.	67.21	65.60	2.45%	59.18	13.57%		
S	Natl. Base Carcass Price	Wtd. Avg.	65.91	64.71	1.85%	59.02	11.67%		
	Natl. Net Carcass Price	Wtd. Avg.	68.36	67.14	1.82%	61.31	11.50%		
	Pork Cutout	185 Lbs.	77.01	72.69	5.94%	57.67	33.54%		
C	Young Chicken Slaughter *	Million Head	164.0	164.6	-0.39%	160.0	2.44%	329	0.5%
H	Avg. Weight	Lbs.	5.66	5.62	0.71%	5.40	4.81%	5.64	2.4%
I	Chicken Production	Million Lbs.	928.0	925.0	0.32%	864.2	7.38%	1,853	3.0%
C	Eggs Set	Million	200.7	202.1	-0.68%	203.8	-1.51%	605	-0.5%
K	Chicks Placed	Million Head	167.2	166.8	0.23%	167.7	-0.32%	503	-0.2%
E	12-City Broiler Price	Composite	82.17	81.95	0.27%	81.33	1.03%		
N	Georgia Dock Broiler Price	2.5-3 Lbs.	82.58	82.45	0.16%	86.7	-4.75%		
T	Young Turkey Slaughter *	Million Head	3.956	4.249	-6.90%	4.678	-15.43%	8.605	-8.2%
U	Avg. Weight	Lbs.	33.17	30.6	8.40%	29.81	11.27%	31.89	4.3%
R	Turkey Production	Million Lbs.	131.2	130.0	0.92%	139.5	-5.90%	274	-4.2%
K	Eastern Region Hen Price	8-16 Lbs.	76.00	76.00	0.00%	75.00	1.33%		
G	Corn, Omaha	$ per Bushel	3.41	3.46	-1.45%	3.76	-9.31%		
R	DDGs, Minnesota	$ per Ton	97.50	100.00	-2.50%	127.50	-23.53%		
A	Wheat, Kansas City	$ per Bushel	4.35	4.46	-2.47%	5.71	-23.82%		
I	Soybeans, S. Iowa	$ per Bushel	9.59	9.86	-2.74%	10.07	-4.77%		
N	Soybn Meal, 48% Decatur	$ per Ton	308.00	311.40	-1.09%	317.70	-3.05%		

* 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.

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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Dec-08	30-Nov-09	31-Dec-09	Dec-08	Nov-09
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	8,924	11,392	8,892	100	78
Hams, Total	74,215	83,377	49,881	67	60
Bone-in	36,793	42,969	20,812	57	48
Boneless	37,422	40,408	29,069	78	72
Bellies	51,593	44,638	57,954	112	130
Loins, Total	44,174	36,648	37,057	84	101
Bone-in	18,043	14,378	15,773	87	110
Boneless	26,131	22,270	21,284	81	96
Ribs	82,013	84,466	94,332	115	112
Butts	25,122	16,212	21,226	84	131
Trimmings	64,997	39,599	45,521	70	115
Other	105,812	81,101	81,101	77	100
Variety Meats	25,575	22,145	23,156	91	105
Unclassified	73,217	63,238	55,725	76	88
Total	**555,642**	**482,816**	**474,845**	**85**	**98**
Frozen Beef					
Boneless	415,048	371,515	372,418	90	100
Beef Cuts	77,589	59,398	57,297	74	96
Total	**492,637**	**430,913**	**429,715**	**87**	**100**
Other					
Veal	9,194	8,054	9,102	99	113
Lamb & Mutton	21,001	15,052	14,276	68	95
Total	**30,195**	**23,106**	**23,378**	**77**	**101**
Total Red Meat	**1,078,474**	**936,835**	**927,938**	**86**	**99**
Chicken					
Broilers (Whole)	27,213	18,761	16,649	61	89
Hens	3,192	2,820	2,025	63	72
Other Chicken	735,037	637,745	612,494	83	96
Total	**765,442**	**659,326**	**631,168**	**82**	**96**
Turkey					
Whole Turkeys	139,352	76,195	78,913	57	104
Other Turkeys	256,792	158,285	171,265	67	108
Total	**396,144**	**234,480**	**250,178**	**63**	**107**
Ducks	1,993	4,507	3,566	179	79
Total Poultry	**1,163,579**	**898,313**	**884,912**	**76**	**99**