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CME Group

A CME/Chicago Board of Trade Company

Daily Livestock Report

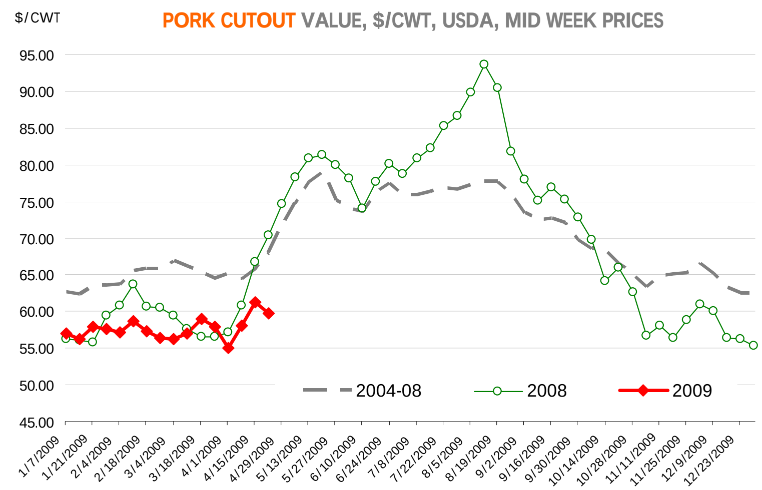
E-Livestock Volume	23-Apr	22-Apr	16-Apr
LE (E-Live Cattle):	13,765	11,276	11,568
GF (E-Feeder Cattle):	1,252	1,167	1,881
HE (E-Lean Hogs):	8,878	13,352	9,531

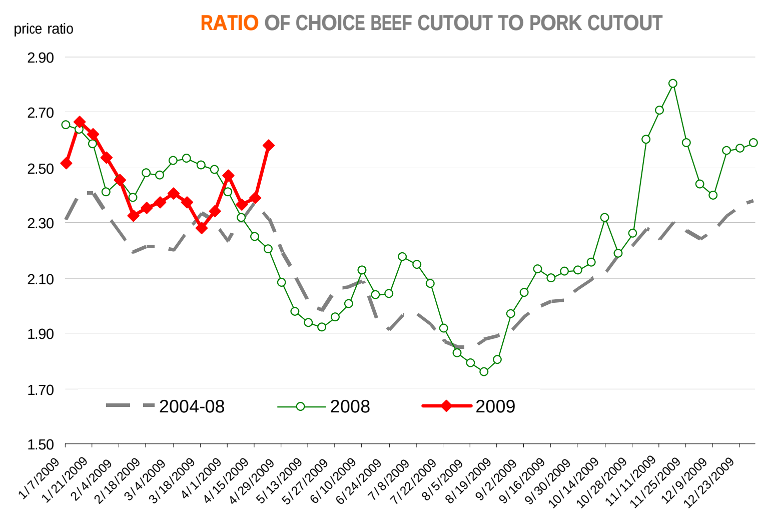
Free real-time Globex quotes: www.cmegroup.com/elivestockquotes

Market Comments

It has been a disappointing week for hog futures, in large part due to weaker than expected wholesale pork prices and a murkier outlook for pork values this summer. Normally pork prices begin to move higher at this time of year, in large part due to smaller supplies but also because of better demand for retail cuts destined for the outdoor grill, such as loins. The upward shift in pork prices appeared to be underway last week and this buoyed hog futures, with the June contract closing last Friday at 73.625, a much smaller number than what the market was thinking at the start of the year but maybe the start of better things to come. The rally seemed to run out of steam pretty quick, however. Instead of continuing to climb, as they seasonally do at this time of year and as lower slaughter numbers would indicate, the pork cutout lost 80 cents on Tuesday and another $1 on Wednesday. On Thursday the pork cutout took back some of the losses but still, at $59.78/cwt, it was $2.13 lower than the week before and a whopping $12.43 /cwt or 17.2% lower than a year ago.

Part of the reason for the decline in wholesale pork values is due to the inability of packers to charge more for pork loins, an item that should carry the cutout at this time of year. Loin prices (1/4") on Thursday were quoted at $92.76/cwt, 5.3% lower than last Friday and some 20% below year ago levels. Why items such as loins have so far failed to gain traction is a matter for debate. It could be that inexpensive beef offers in late February and March pushed a number of retailers towards planning more beef features this spring thus limiting demand for pork cuts going into the start of the grilling season. Keep in mind that retail features are planned a number of months in advance so that could explain why pork finds itself at a disadvantage despite sharp slaughter cutbacks. Another reason could be that even with smaller year over year output, total pork production still is relatively large by historical standards. Yes, pork supplies in Q2 are expected to decline about 3% from year ago levels but last year pork production exploded and was greatly supported by a red hot export market. 2009 Q2 pork production is still expected to be up 5.7% compared to Q2 in 2007 and up 8.3% compared to Q2 in 2006. As the bottom chart shows, pork currently has become much more competitive with beef and this could cause retailers looking for fill in business to take another look at late minute pork features. It could still save the day for pork packers but the clock is ticking...





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