

# Daily Livestock Report

Vol. 8, No. 16/ January 26, 2010

Please see page 2 for a CME Group Commodities Advisory regarding today's launch of Live Cattle and Lean Hog Calendar Spread Options. The options are designed to help mitigate risk of changing price differentials and should be useful for those who regularly hedge such that they are frequently lifting positions in one month and placing positions in a future month. The advisory includes a link to more information.

Exports will be a key factor in the performance of U.S. meat, poultry and livestock markets in the year to come. At first blush, virtually everyone expects 2010 to be better simply because 2009 was such a wreck on several fronts. H1N1 influenza played havoc with the pork industry's export efforts and a stronger dollar (at least relative to the very cheap dollar of the first half of 2008) made all U.S. goods more expensive in most international markets.

The charts at right contain actual annual data for total exports and exports as a percentage of production for 1980 through 2008 as well as USDA's December forecasts for 2009 and 2010. The 2009 figures, of course, will be quite close to the final numbers since data for January through October were included in the forecast (November export data were not released until after USDA published the December WASDE report). But it is clear that USDA expects 2010 to have a few challenges of its own.

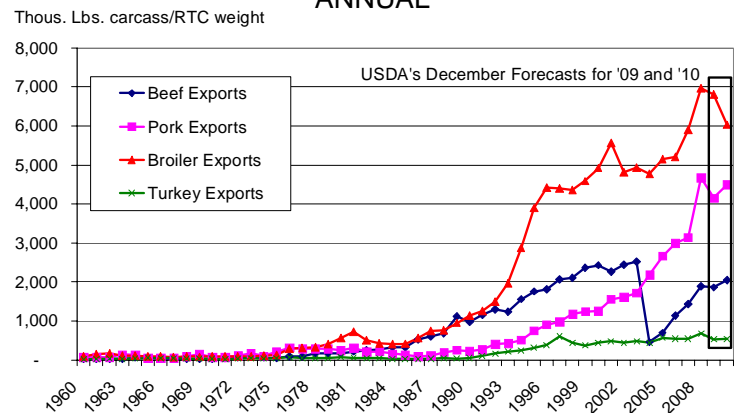
Most notably, USDA expects U.S. broiler exports to decline by 11%, citing "recently announced quotas and sanitary requirements for imports by Russia . . ." as a primary reason. Going back to our discussion last week, those factors may be even more important, especially after President Putin, who we are sure is an expert in chlorine-treated poultry, weighed in on the subject last week. The decline would drop chicken exports to 16.6% of forecast production, over 2% lower than the forecast percentage for 2009.

USDA is far more optimistic about 2010 U.S. pork exports, forecasting year-on-year growth of 8.4% and pushing exports back to within 170 million pounds of the 2008 record of 4.667 billion pounds. Should that increase materialize, it would put exports very near 20% of total production again. We suspect that reaching these goals will be very dependent on Russia and China. Russia has announced much tighter import quotas for 2010 and China has yet to officially resume imports after announcing last fall they would do so. While that sounds bad, inspection of monthly export data from USDA shows that China never actually stopped taking U.S. product last summer when they officially had banned such shipments. So perhaps we should not protest too vigorously at the moment.

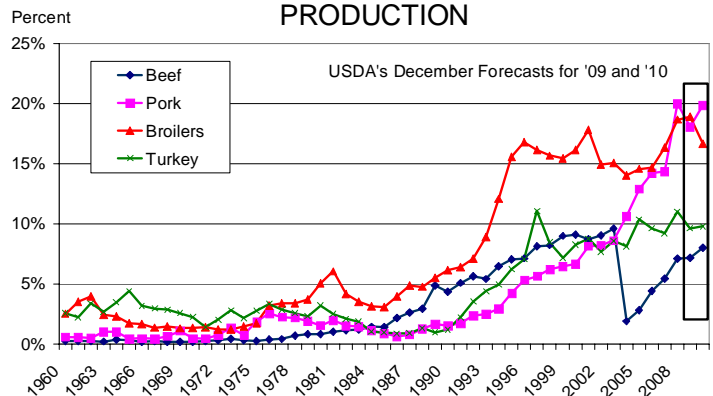
Beef exports are projected to grow in both tonnage (9.6%) and as a percentage of production (from 7.1% in 2008 and 2009 to 8% in 2010). Both of the projected figures for 2010 would be the largest since 2003, the year during which BSE was discovered in the U.S. herd just before Christmas. Most importantly — Recovery continues.

Finally, turkey exports appear miniscule when compared to the other species but are VERY important to the industry, accounting for roughly 10% of production. The percentage is forecast to remain steady in 2010 and the actual number will do likewise since the turkey industry has quite likely bitten the bullet enough in 2009 when it cut production by nearly 10% versus year-earlier levels.

## U.S. MEAT & POULTRY EXPORTS, ANNUAL



## U.S. MEAT & POULTRY EXPORTS AS A PERCENT OF COMMERCIAL PRODUCTION



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# COMMODITIES ADVISORY

## RE: Live Cattle and Lean Hog Calendar Spread Options

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**Calendar Spread Options on Live Cattle and Lean Hog futures will launch on Monday, January 25, 2009. Options on calendar spreads will enable customers to mitigate the risk of changing price differentials between successive futures contract months when rolling from one futures contract month to another.**

To learn more, please visit [www.cmegroup.com/livestockcso](http://www.cmegroup.com/livestockcso)

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