

Daily Livestock Report

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Please see pages 2-6 for information about CME Group's new Calendar Spread Options for Live Cattle and Lean Hogs. They begin trading on December 21 and you can find more information at www.cmegroup.com/livestockcso.

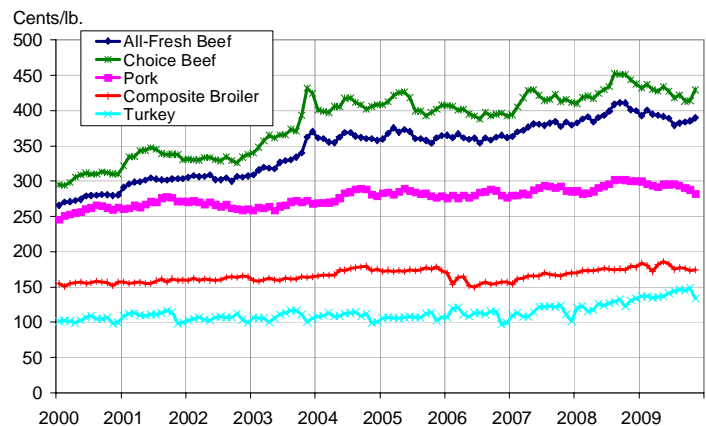
In response to comments from readers, we offer two items of additional information on topics discussed earlier this week:

- Ethanol production profits have dropped sharply since the week of December 4, the last data depicted in the chart from Iowa State University's Center for Agricultural and Rural Development (CARD). We certainly don't mean that as any criticism of CARD. It is just a point of clarification. Two private sources provided estimates that show margins were 20% or so lower last week as corn and natural gas prices increased and ethanol prices fell. That margin deterioration is exactly what we expected to happen — though not quite that quickly — since economic profits encourage higher output that will drive up corn prices and drive down ethanol prices. Or, economic profits could disappear due to exogenous shocks such as falling oil prices. In a business with excess capacity, it is very difficult if not impossible to keep profits higher than would occur at a "normal" return on assets.
- Canada's Hog Farm Transition Program involves more than just sows. It also pays producers to remove weaned pigs up to 30 kg (66 lbs.) and hogs from 31 kg (68 lbs) to market weight. We have addressed only the sows being removed because we think those numbers are far more important to the long-term price and profit picture for both the Canadian and U.S. pork sectors. In addition, the sow numbers are far more significant. Consider that in each of the first two tenders, roughly 2 weaned pigs and 3 market hogs have been accepted for each sow accepted. For comparison, each of those sows, on average, produced from 9 to 11 pigs in her most recent litter. It certainly appears that the participation has primarily been from sow farms and that the impact has been much larger there. That's the reason for our addressing the sow removals and not the shorter-term pig removals. It should be noted that all of these hogs are moving through commercial slaughter. Canadian sources have told us that they are trying to move the product from these animals into export markets or markets where current sales will not be displaced but there is, to our knowledge, no information available from which to judge the success of those efforts.

USDA's monthly retail price estimates for November indicated higher beef prices, roughly steady broiler prices, lower pork prices and, as expected, sharply lower turkey prices versus their respective levels in October. The monthly data for 2000 through present appears at right. Note that this chart includes both the All-Fresh Beef price series (which includes Choice, Select and store-grade product) that we usually include and the Choice Beef price series. The addition is to draw attention to the sharp increase in Choice prices (+3.7%) this past month. We would like to say the increase is indicative of better foodservice business. While that sector is improving, we doubt seriously that it is doing so at a rate high enough to drive Choice beef nearly 4% higher in one month. The better explanation, we think, goes back to some press items a couple of months back that reported retail consumers were discovering that higher-quality steaks were a relative bargain. And indeed they were — and still are in many cases. Such a shift in behavior should drive Choice prices higher and the data say it actually happened.

Pork prices were 2.2% lower than in October and 6.2% lower than one year ago. The average price of \$2.816 per retail pound was the lowest since early 2007. The declines occurred, however, while production and domestic pork consumption were falling relative to last year. Based on weekly data, November pork production was 1.3% lower than one year ago. Assuming November 2009 exports equal to one year ago and November 30 frozen inventories roughly equal to those at the end of October, domestic pork consumption in November was 1.4% lower than last year. Add in populations growth and per capita pork consumption was more than 2% lower than last year. Lower consumption and prices mean that November pork demand was markedly lower — unless November exports were MUCH, MUCH larger.

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Special Executive Report

S-5072

December 9, 2009

LAUNCH OF OPTIONS ON LIVE CATTLE FUTURES CALENDAR SPREADS AND OPTIONS ON LEAN HOG FUTURES CALENDAR SPREADS, EFFECTIVE MONDAY, DECEMBER 21, 2009

Options on live cattle futures calendar spreads and options on lean hog futures calendar spreads (“calendar spread options” or “CSOs”) are scheduled to begin trading Monday, December 21, 2009. These options contracts will be available for trading on the CME Globex[®] electronic trading system and the open outcry trading floor. These contracts will be listed by and subject to the rules and regulations of CME.

1. Trading Hours

Options on live cattle futures calendar spreads and options on lean hog futures calendar spreads will be traded on the CME Globex[®] electronic trading system as follows:

Monday - Friday: 9:05 a.m. Monday – 1:55 p.m. Friday (CT) with daily trading halts from 4:00 p.m. to 5:00 p.m.

Options on live cattle futures calendar spreads and options on lean hog futures calendar spreads will be traded on the open outcry trading floor as follows:

Monday through Friday: 9:05 a.m.-1:02 p.m. (CT); occurs side-by-side with CME Globex trading.

2. Contract Specifications and Rules

Options on Live Cattle Futures Calendar Spreads

Trading unit	Call-long 1 nearer future and short 1 deferred future Put-short 1 nearer future and long 1 deferred future
Price basis	Nearer futures price minus deferred futures price
Minimum tick	\$.00025 per pound (lb)
Price Limit	none
Strike intervals	1/4 cent-lb for first 2 months, 1/2 cent-lb for other months
Initial strike range	6 cents-lb above and below previous settlement
Last trade date	Same as standard nearby option (1st Friday of contract month)
Position limits	Aggregated with standard options on a futures delta-equivalent basis
Reportable Level	25 contracts
Exercise	European style
Trading Hours	Same as standard options
Trading Venue	Electronic and open outcry
No Bust Range	20% of premium up to \$0.005 with a minimum of 1 tick
Contract months- Listing cycle	All consecutive and non-consecutive combinations for the first 4 listed futures contract months (6 calls, 6 puts)

Options on Lean Hog Futures Calendar Spreads

Trading unit	Call-long 1 nearer future and short 1 deferred future Put-short 1 nearer future and long 1 deferred future
Price basis	Nearer futures price minus deferred futures price
Minimum tick	\$.00025 per pound
Price Limit	none
Strike intervals	1/2 cent-lb for first 2 months, 1 cent-lb for other months
Initial strike range	12 cents per pound above and below previous settlement for 1 cent intervals (6 cents for 1/2 cent intervals)
Last trade date	Business day prior to expiration of standard nearby option/future
Position limits	Aggregated with standard options on a futures delta-equivalent basis
Reportable Level	25 contracts
Exercise	European
Trading Hours	Same as standard options
Trading Venue	Electronic and open outcry
No Bust Range	20% of premium up to \$0.005 with a minimum of 1 tick
Contract months-Listing cycle	All consecutive and non-consecutive combinations for the first 5 listed futures contract months (10 calls, 10 puts)

OPTIONS ON LIVE CATTLE FUTURES CALENDAR SPREADS

101B00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Live Cattle futures calendar spreads. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

101B01. OPTION CHARACTERISTICS

A. Contract Months and Trading Hours

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Exchange.

B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Live Cattle futures calendar spread. A Live Cattle futures calendar spread consists of a combination of a purchase in one futures contract month and a sale in another futures contract month. A call calendar spread option is the equivalent of a long position in a nearer futures contract and a short position in a deferred futures contract. A put calendar spread option is the equivalent of a short position in a nearer futures contract and a long position in a deferred futures contract.

C. Minimum Fluctuations

The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of \$.00025 per pound (also known as one tick). A trade may also occur at a price of \$.000125 per pound (\$5.00, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

D. Underlying Futures Contracts

The underlying futures contracts are the futures contract for the month in which the option expires and the corresponding futures contract month in that combination. For example, the underlying futures contracts for a February-April calendar spread option are the February futures contract and the April futures contract.

E. Exercise Prices

The exercise prices shall be based on the price difference obtained by subtracting the deferred futures contract price from the nearer futures contract price. The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of .50 cent; e.g. .50, 1.00, 1.50. In addition, for options involving the first two underlying futures contract months, some exercise prices shall be at intervals of .25 cent, as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at .50 cent intervals in a range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call option contracts at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

When an underlying futures contract month becomes the second nearest contract month, the Exchange shall add exercise prices at .25 cent intervals in range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call option contracts at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

F. Position Limits

No person shall own or control a combination of options and underlying futures that exceeds 5,400 futures equivalent contracts net on the same side of the market in any contract month.

For purposes of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series.

G. Accumulation of Positions

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

H. Exemptions

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to option positions exempted pursuant to Rule 559.

I. Termination of Trading

Options trading shall terminate on the first Friday of the delivery month of the nearby futures contract. If that Friday is not a business day, then trading shall terminate on the immediately preceding business day.

J. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

101B02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Live Cattle options on calendar spreads.

A. Exercise of Option by Buyer

An option may be exercised by the buyer only on the day that the option expires. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m., on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bonafide clerical error, (2) an unreconciled Exchange option transaction (s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

B. Assignment

Exercise Notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an Exercise Notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an Exercise Notice shall be assigned a short position in the underlying nearer futures contract and a long position in the underlying distant futures contract if a call was exercised or a long position in the underlying nearer contract and a short position in the underlying distant contract if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying nearer futures contract and a short position in the underlying distant futures contract if a call was exercised and a short position in the underlying nearer contract and a long position in the underlying distant contract if a put was exercised.

All such futures positions shall be assigned at prices as follows: the nearby futures contract shall be assigned at the settlement price and the distant futures contract shall be assigned at a price equal to the settlement price of the nearby futures contract minus the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the Exercise Notice.

101B03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 101B)

OPTIONS ON LEAN HOGS FUTURES CALENDAR SPREADS

152B00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on Lean Hogs futures calendar spreads. The procedures for trading, clearing and settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

152B01. OPTION CHARACTERISTICS

A. Contract Months and Trading Hours

Options contracts shall be listed for such contract months and scheduled for trading during such hours as may be determined by the Exchange.

B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one Lean Hogs futures calendar spread. A Lean Hogs futures calendar spread consists of a combination of a purchase in one futures contract month and a sale in another futures contract month. A call calendar spread option is the equivalent of a long position in a nearer futures contract and a short position in a deferred futures contract. A put calendar spread option is the equivalent of a short position in a nearer futures contract and a long position in a deferred futures contract.

C. Minimum Fluctuations

The price of an option shall be quoted in cents per pound. Minimum price fluctuations shall be in multiples of \$.00025 per pound (also known as one tick). A trade may also occur at a price of \$.00125 per pound (\$.00125, also known as one-half tick), whether or not it results in the liquidation of positions for both parties to the trade.

D. Underlying Futures Contracts

The underlying futures contracts are the futures contract for the month in which the option expires and the corresponding futures contract month in that combination. For example, the underlying futures contracts for a February-April calendar spread option are the February futures contract and the April futures contract.

E. Exercise Prices

The exercise prices shall be based on the price difference obtained by subtracting the deferred futures contract price from the nearer futures contract price. The exercise prices shall be stated in terms of cents per pound. For all contract months, exercise prices shall be at intervals of 1 cent; e.g. 10, 11, 12. In addition, for options involving the first two underlying futures contract months, some exercise prices shall be at intervals of .50 cent, as described below.

At the commencement of option trading in a contract month, the Exchange shall list put and call options at 1 cent intervals in a range 12¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call option contracts at the next higher (or next lower) exercise price within a 12¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

When an underlying futures contract month becomes the second nearest contract month, the Exchange shall add exercise prices at .50 cent intervals in range 6¢ above and below the difference between the previous day's settlement prices of the underlying futures contracts. When a sale or settlement price in the underlying futures contracts price differential occurs at, or passes through an exercise price, the Exchange shall list on the next trading day put and call option contracts at the next higher (or next lower) exercise price within a 6¢ range above (or below) the exercise price at which or through which the sale or settlement price in the underlying futures contracts price differential occurred.

New options may be listed for trading up to and including the termination of trading. The Exchange may modify the provisions governing the establishment of exercise prices as it deems appropriate.

F. Position Limits

No person shall own or control a combination of options and underlying futures that exceeds:

1. 4,100 futures equivalent contracts net on the same side of the market in any contract month;
2. 950 futures equivalent contracts net on the same side of the market in the expiring contract month as of the close of business on the fifth business day of the contract month.

For purposes of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series.

G. Accumulation of Positions

For purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

H. Exemptions

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation 1.3(z)(1) of the CFTC and meeting the requirements of Rule 559 and shall not apply to option positions exempted pursuant to Rule 559.

I. Termination of Trading

Options trading shall terminate on the business day preceding the last day of trading in the underlying nearby futures contract.

J. Contract Modification

Specifications shall be fixed as of the first day of trading of a contract except that all options must conform to government regulations in force at the time of exercise. If the U.S. government, an agency or duly constituted body thereof issues an order, ruling, directive or law inconsistent with these rules, such order, ruling, directive or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

152B02. EXERCISE

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of Lean Hogs options on calendar spreads.

A. Exercise of Option by Buyer

An option may be exercised by the buyer only on the day that the option expires. To exercise an option, the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m., on the day of termination of trading by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bonafide clerical error, (2) an unreconciled Exchange option transaction (s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

B. Assignment

Exercise Notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an Exercise Notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes prior to the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an Exercise Notice shall be assigned a short position in the underlying nearer futures contract and a long position in the underlying distant futures contract if a call was exercised or a long position in the underlying nearer contract and a short position in the underlying distant contract if a put was exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying nearer futures contract and a short position in the underlying distant futures contract if a call was exercised and a short position in the underlying nearer contract and a long position in the underlying distant contract if a put was exercised.

All such futures positions shall be assigned at prices as follows: the nearby futures contract shall be assigned at the settlement price and the distant futures contract shall be assigned at a price equal to the settlement price of the nearby futures contract minus the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the Exercise Notice.

152B03. EMERGENCIES, ACTS OF GOD, ACTS OF GOVERNMENT

If exercise or assignment or any precondition or requirement of either is prevented by a strike, fire, accident, act of government or act of God, the seller or buyer shall immediately notify the Exchange President. If the President determines that emergency action may be necessary, he shall call a special meeting of the Board of Directors and arrange for the presentation of evidence respecting the emergency condition. If the Board determines that an emergency exists, it shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the contract.

(End Chapter 152B)

3. Initial Combination Listings, Symbols and Expiration Dates

	Listing	Symbol Globex	Symbol Floor-Clearing	Expiration
Live Cattle CSO				
February 2010	Feb-Apr, Feb-Jun, Feb-Aug	C0AG0, C0BG0, C0CG0	L0AG0, L0BG0, L0CG0	2/05/2010
April 2010	Apr-Jun, Apr-Aug	C0AJ0, C0BJ0	L0AJ0, L0BJ0	4/01/2010
June 2010	Jun-Aug	C0AM0	L0AM0	6/04/2010
Lean Hog CSO				
February 2010	Feb-Apr, Feb-May, Feb-Jun, Feb-Jul	B0AG0, B0BG0, B0CG0, B0DG0	R0AG0, R0BG0, R0CG0, R0DG0	2/11/2010
April 2010	Apr-May, Apr-Jun, Apr-Jul	B0AJ0, B0BJ0, B0CJ0	R0AJ0, R0BJ0, R0CJ0	4/14/2010
May 2010	May-Jun, May-Jul	B0AK0, B0BK0	R0AK0, R0BK0	5/13/2010
June 2010	Jun-Jul	B0AM0	R0AM0	6/11/2010

If you have any questions, please contact John Harangody, Director, Commodity Products and Services, at 312-466-4437, or Tom Clark, Associate Director, Commodity Products and Services at 312-930-4595 or Jack Cook, Associate Director, Commodity Product Development, at 312-930-3295.