

# Daily Livestock Report

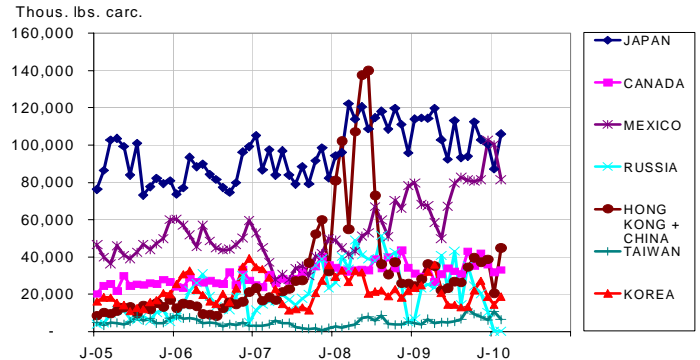
Vol. 8, No. 71/ April 15, 2010

Please see pages 2 through 4 for a set of Frequently Asked Questions regarding CME's new Distillers Dried Grains futures contract, which begins trading on April 26.

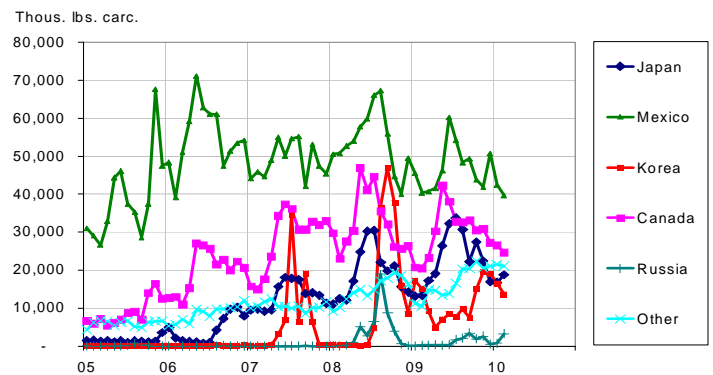
USDA released monthly export data for meats and poultry today and it showed that February was a good month for beef and pork and a difficult month for chicken — owing primarily to Russia. The charts at right show monthly data for carcass weight equivalent exports to major U.S. markets. Some highlights of the February data are:

- U.S. pork exporters shipped 361.6 million pounds of carcass-weight equivalent pork products overseas in February. That total was 15% larger than last month and 6% larger than one year ago. It brings the 2010 total to 676 million pounds, 1.9% more than January-February 2009.
- Shipments to Japan were lower than one year ago but Japan remains our largest market — just barely. February shipments to Japan totaled 106 million pounds, 7.5% lower than last year. That brings this year's total to 193 million pounds, 15.5% lower than for the same period in 2009. That total is only 11.5 million pounds more than we have shipped to Mexico so far in 2010 — and business with our southern neighbor is 23% larger so far this year.
- February pork shipments to China/Hong Kong recovered sharply from January's disappointing levels. Feb shipments of 44.9 million pounds were nearly 60% higher than last year and brought the year-to-date total to 25% more than one year ago.
- Beef exports amounted to 157.4 million pounds, 28.3% larger than last year. That brought the year-to-date total to 311 million pounds, 24% higher than last year. Shipments were higher to all major markets except Japan and South Korea. Hong Kong (+6.6 million pounds), Japan (+5.5 million pounds), and Canada (+4.3 million pounds) was the largest year-on-year increases for February among individual countries but "Other" markets grew by 10.7 million pounds.
- Mexico and Canada remain our two largest beef markets. "Other" countries rank third when considered as a group, just ahead of Japan.
- Chicken exports to "Other" markets led the way in February. USDA's Economic Research Service, who computed the carcass equivalent data, do not publish any details on this category but the Foreign Ag Service data show that Angola (#3), Vietnam (#5), Taiwan (#6), Cuba (#7) and Iraq (#9) are included in the "Other" category. U.S. chicken exports are down 21% for the year to-date, with the reduction almost completely due to a 70% reduction in shipments to Russia.

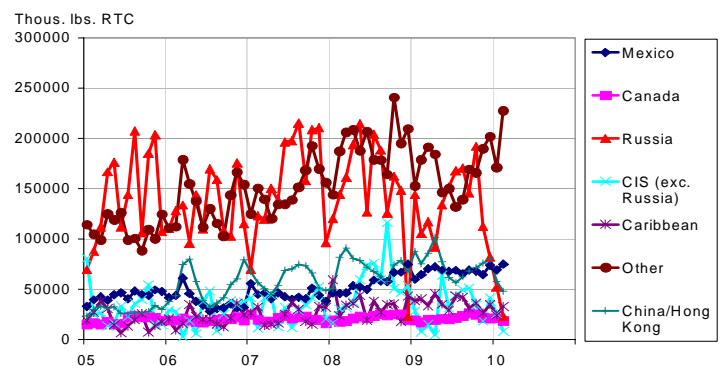
U.S. PORK EXPORTS BY DESTINATION



U.S. BEEF EXPORTS BY DESTINATION



U.S. CHICKEN EXPORTS BY DESTINATION



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## Distillers' Dried Grain Futures (DDG) Frequently Asked Questions

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### CONTRACT SPECIFICATIONS

- 1. What is the deliverable product?**  
100 Short tons of corn distillers' dried grains with solubles (DDGs).
- 2. What are the trading hours?**  
6:00 p.m. to 7:15 a.m. and 9:30 a.m. to 1:15 p.m. Chicago Time, Sunday night through Friday afternoon.
- 3. What trading platform will DDG futures be available for trading on?**  
Exclusively on Globex, the CME Group electronic trading platform.
- 4. What is the ticker symbol?**  
DDG
- 5. What are the contract specifications for quality?**  
Corn DDGs with minimum 26% protein; minimum 8% fat; maximum 12% fiber; and maximum 11.5% moisture.
- 6. To what extent, is vomitoxin levels a part of the DDG futures quality specifications?**  
Buyers may request DDGs containing no more than 5 parts per million vomitoxin; however, vomitoxin testing shall be at buyer's expense.
- 7. When is the last trading day?**  
The business day prior to the 15<sup>th</sup> calendar day of the contract month.
- 8. When is the last delivery day?**  
Two business days following the last trading day.
- 9. Will DDG options or Cleared-only DDG swaps be available when DDG futures are launched on April 26?**  
No, but the CME Group will monitor the progress of this market. Depending on market demand, CMEG may eventually list DDG Options for trading and DDG OTC Cleared-only products.

## MARKET PARTICIPANTS

### 10. Who are the potential participants in this market?

Anyone with price exposure to DDGs. Examples include ethanol producers, feed merchandisers, feed mills, marketers, feed importers, feed exporters and livestock operations. DDG futures allow these market participants to hedge their risk exposure by locking in a price for DDGs up to twelve months in advance. Spread traders may trade a variety of spreads including the corn crush which includes Ethanol, DDGs, Corn and Natural Gas products.

### 11. How can producers of DDGs participate in the contract?

DDGs are a by-product of ethanol production. In addition to selling ethanol, DDGs are also sold as part of an ethanol plant's business model. Prices for both ethanol and DDGs are volatile, but ethanol producers already enjoy multiple risk management tools to hedge ethanol price risk. A DDG futures contract is a tool that ethanol producers can use to manage their DDG price risk. And with the launch of DDG futures, the CME Group has the products to allow an ethanol producer to manage their entire production margin from their inputs (corn and natural gas) to their outputs (ethanol and DDGs).

## DELIVERY

### 12. Is the contract physically delivered?

Yes. Delivery may be made from any Exchange approved production facility and may be delivered to any location specified by the buyer in the contiguous United States. Delivery is based off rail junctions with deliveries from facilities east of the Mississippi River based off Chicago, Illinois and deliveries from facilities west of the Mississippi River based off Council Bluffs, Iowa.

### 13. When is the delivery period?

Deliveries may occur from the first business day of the contract month until two business days following the last trading day of the contract month.

Note: The First Intention Day (a.k.a. First Position Day) is when a seller can give their intention to deliver and is matched with a buyer. First Intention Day occurs two business days prior to the first delivery day. Hedgers using the DDG futures contract solely as a price risk management tool should liquidate all positions by end of trade on first intention day to eliminate the possibility of taking delivery on the futures contract. Also note that effective with First Intention (Position) Day, the daily price limits are removed.

### 14. What is the delivery instrument?

The delivery instrument is a shipping certificate representing a call on DDG production at an issuing delivery facility or a call on DDG loading capacity at an issuing storage facility.

### 15. How does the delivery process work?

A Short (seller who is an approved "regular for delivery" facility) issues a shipping certificate during the delivery period. The oldest long (buyer) on record is assigned delivery and receives the shipping certificate.

**16. What can the long (buyer) do with the shipping certificate?**

The long (buyer) taking delivery of a shipping certificate may do one of four things:

1. Cancel the shipping certificate and demand load-out of physical DDGs from the issuing delivery facility;
2. Hold and carry the shipping certificate to some later date paying a storage charge of 8 cents per short ton per day;
3. Go short (sell) a DDG futures contract and then re-deliver the shipping certificate on the futures market; or
4. Trade the shipping certificate in the cash market.

**17. What happens if the long (buyer) cancels the shipping certificate for load-out?**

The short (seller) delivers the specified quantity and quality of DDGs to the buyer's designated location via rail. The buyer pays the seller the public rail tariff from the designated rail junction to the buyer's designated location plus any fuel surcharges. The designated rail junction for the "regular for delivery" facilities east of the Mississippi River is Chicago, Illinois and for the "regular for delivery" facilities west of the Mississippi River is Council Bluffs, Iowa.

**18. Can the buyer request truck delivery?**

Yes, the long (buyer) may elect truck load-out at a \$7.50/short ton premium. The buyer must supply the trucks. With truck delivery, the buyer does not pay any tariff rates to the seller.

**19. Do delivered DDGs have to be U.S. origin?**

The DDGs may be produced anywhere as long as they meet contract specifications.

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