

Daily Livestock Report

Vol. 8, No. 75/ April 21, 2010

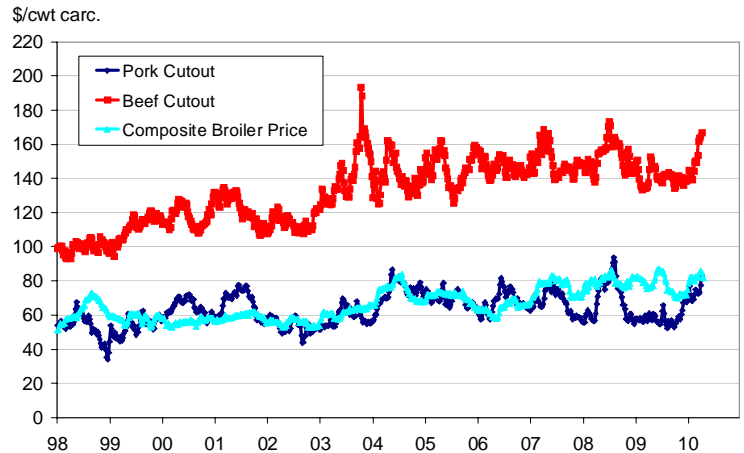
Please see page 2 for a Special Executive Report from CME Group regarding the listing of the October 2011 Live Cattle futures contract.

We thought some historic perspective on the absolute and relative values of the major meat species might be useful to our readers as we watch these quite-unusual markets. The charts at right show the weighted average wholesale — ie. cutout — values for beef, chicken and pork as well as the price spreads between each pair of values. The beef cutout value is the USDA Choice cutout for 550-700# carcasses for 1998 and for 600-900# carcasses since January 1, 1999. The pork cutout value is for 51-52% lean pork carcasses and the chicken value is the 12-city composite broiler value.

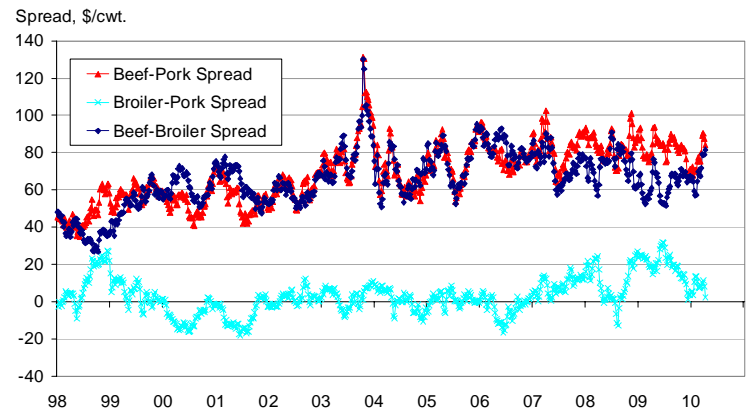
A few observations:

- All three of the wholesale values have stayed, generally, within a “normal” trading range since 2003 with the only significant departures being the upward spike for pork in 2008 and the low values for pork last spring and summer (due to H1N1 influenza and higher-than-expected slaughter and weights).
- Broiler cutout values shifted upward rather quickly after corn prices rose in 2006. That shouldn't be much of a surprise since the generation interval is much shorter for chickens than it is for either pigs or cattle. The increase has kept broiler values consistently higher than pork values since late 2006 — except, of course, for the ‘08 pork spike.
- Both beef and pork have seen “long dry spells” for wholesale values since mid-2008 as the economy, H1N1 and generally ample supplies have taken their toll. Both price series have risen quickly this year — pork due to lower supplies and beef due to what appears to be the beginning of a recovery for the foodservice sector.
- As with retail prices, all three of these wholesale values are on sharp up-trends and are nearing their all-time highs. While seasonal pressure may come to bear on the beef cutout value before it approaches the 2003 levels (which were driven by Canada's BSE problems and appear to us to fit the definition for outliers), it now appears very possible for the others to reach all-time records.
- Beef-Pork and Beef-Broiler prices spreads have risen in recent weeks but are not at all unusual from a historic perspective. In fact, the Beef-Broiler spread has been lower than normal for some time due to the quick rise in broiler values in 2006 and the much slower increase in the Choice beef cutout value. Current trends suggest that the Beef-Chicken spread may continue to grow but \$80--plus pork cutout values will keep the Beef-Pork spread within its historic range.
- The Broiler-Pork spread is near its lowest level since 2006. Lagging pork wholesale values are the primary reason that this spread has been as much as \$31, a level it reached in the aftermath of last year's H1N1 crisis.

WHOLESALE PRICES



WHOLESALE VALUES SPREADS -- BEEF, PORK, CHICKEN



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Special Executive Report

S-5209

April 19, 2010

LISTING DELAY FOR OCTOBER 2011 LIVE CATTLE FUTURES

Please be advised that the listing of the October 2011 contract month for Live Cattle futures, which normally would occur on Monday, May 3, 2010, will be postponed temporarily.

If you have any questions regarding this matter, please contact Paul Peterson, Director, Commodity Research & Product Development at (312) 930-4587.