

Daily Livestock Report

“And for the support of this Declaration, with a firm reliance on the Protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.” By placing their signatures after that sentence, 56 men became traitors to British Crown, put at risk their livelihoods and fortunes (which most eventually lost) and founded the most successful experiment in self-government in history. Take a few minutes this weekend to read the Declaration of Independence. It is worth the time! It can be found at <http://www.ushistory.org/declaration/document/index.htm>. Have a great holiday!

A correction regarding CME Globex hours — Livestock and dairy trading on Globex resumes at 9:05 on Monday morning, the same time that pit trading resumes. Lumber, wood pulp and grains re-open Sunday.

Please see page 2 for a Special Executive Report from CME Group regarding the mechanism for a change in the daily price limits for Pork Bellies futures. July Pork Bellies futures closed Tuesday at \$0.543, well below the \$0.60 trigger point for the daily limit change. The daily limit for all Pork Bellies contract months is \$0.02 per pound (expandable to \$0.03) through September 30, 2009.

Dairy cows apparently began moving to slaughter the first week of June under the latest round of the milk production reduction efforts of Cooperatives Working Together. We say “apparently” because we can find no reference to actual cow movement on the CWT website but see a definite spike in dairy cow slaughter that week. That spike, of course, follows a three-month lull in the pace of dairy cow liquidation and slaughter as producers quite logically waited to see if their bids for liquidation payments would be accepted. CWT accepted bids from 535 farms in 41 states in this, the seventh round of herd retirements. This round includes 103,000 head and if the June 7 spike is indicative of average weekly numbers, it should take another 8 to 9 weeks to get that many “extra” cows moved to slaughter. Where dairy cow slaughter has increased by about 10,000 per week since before Memorial Day, beef cow slaughter, as of June 14, had fallen by about 5,000 head per week.

The surge of dairy cows coming to market has had a quite understandable negative impact on boneless beef prices. As can be seen in the lower chart at right, 90% Lean grinding beef prices have fallen by roughly \$15/cwt since late May and were quoted last week at \$136.27/cwt. This price pressure, of course, has pressured the cow cutout value and cull cow prices as well. Southern Plains slaughter cow prices have fallen from the \$0.52/lb. live weight range in late May to the mid-\$0.40s last week.

With the ongoing CWT herd reduction program and the possibility a few weeks ago of a similar program for sows, we have had a few questions about the efficacy of these reduction programs. Scott Brown of the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri has looked at that issue. His conclusion is that, on average, the six buyouts executed from 2004 through 2008 raised milk prices by \$0.59/cwt. CWT’s export assistance program, funded by the same producer funding mechanism, added another \$0.08/cwt. over that time period. To put these in context, the average Class III milk price from 2004 to 2008 was \$15.36/cwt. Most benefits likely accrued, however, during times when prices were below that average.

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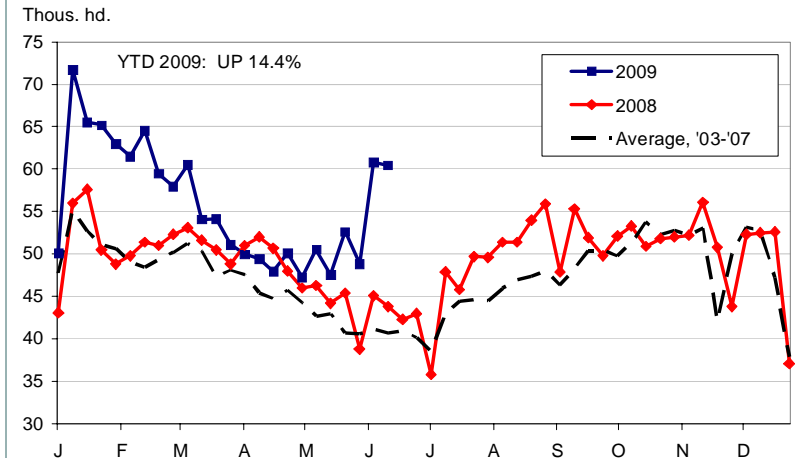
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E-Livestock Volume	7/1/09	6/30/09	6/24/09
LE (E-Live Cattle):	19,032	24,164	12,170
GF (E-Feeder Cattle):	3,085	3,660	1,275
HE (E-Lean Hogs):	17,794	26,567	18,766

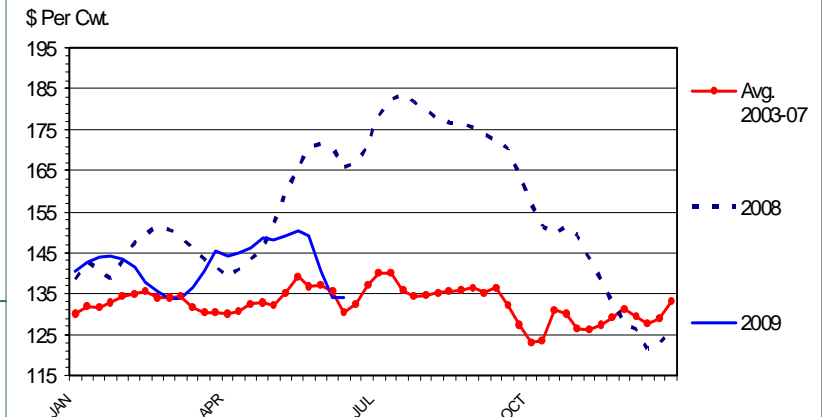
Free real-time Globex quotes: www.cmegroup.com/elivestockquotes

FI DAIRY COW SLAUGHTER, WEEKLY



WHOLESALE BONELESS BEEF PRICES

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Special Executive Report

S-4909

June 24, 2009

DAILY PRICE LIMITS FOR PORK BELLIES SUBJECT TO CHANGE

Per Rule 15102.D, the daily price limits for CME Frozen Pork Bellies futures are set for a calendar quarter based on the settlement price for the contract nearest to expiration on the last business day of the prior quarter. The regular price limit is \$.02 per pound (expandable to \$.03) if that settlement price is below \$.60 per pound or \$.03 per pound (expandable to \$.045) if that settlement price is equal to or above \$.60 per pound.

The settlement price of the July 2009 contract month on Tuesday, June 30, 2009 will be used to determine the regular daily price limit for all contract months during the third quarter (July through September) of this year. At the present time, the daily price limit is \$.03 per pound (expandable to \$.045). **If the settlement price of the July 2009 contract on June 30 is below \$.60 per pound, then the daily price limit for all contract months will decrease to \$.02 per pound (expandable to \$.03) beginning on Wednesday, July 1, 2009.**

A determination will be made for daily price limits in the fourth quarter of 2009 using the settlement price for the February 2010 contract month on Wednesday, September 30, 2009.

FROZEN PORK BELLIES FUTURES

15102. FUTURES CALL

D. Daily Price Limits

There shall be no trading at a price more than \$.020 or \$.030 or \$.045 per pound above or below the previous day's settlement price, as described below.

The regular daily price limit shall be set at the beginning of each calendar quarter based upon the settlement price of the contract nearest to expiration on the last business day of the prior calendar quarter. If the contract nearest to expiration settles at a price below \$.600 per pound on that day, the regular daily price limit for all contracts shall be \$.020 per pound for the following quarter. If the contract nearest to expiration settles at a price equal to or above \$.600 per pound on that day, the regular daily price limit for all contracts shall be \$.030 for the following quarter.

If the contract nearest to expiration settles on the limit bid for two successive days or on the limit offer for two successive days, except on the last trading day for the contract nearest to expiration in which case the contract second nearest to expiration shall serve the purposes of this rule, then, on the next business day, the daily price limit for all contracts shall be raised to 150% of the regular daily price limit applicable to that day.

If the contract nearest to expiration does not settle at a limit bid or limit offer without regard to market direction when the daily price limit has been raised to 150% of the regular daily price limit, except on the last trading day for the contract nearest to expiration in which case the contract second nearest to expiration shall serve the purposes of this rule, then, on the next business day, the daily price limits for all contracts shall revert to the regular daily price limit applicable to that day.

If there are any questions about this matter, please contact Jack Cook, Associate Director, Commodity Research and Product Development Department (312/930-3295 or Jack.Cook@cmegroup.com) or Paul Peterson, Director, Commodity Research and Product Development Department (312/930-4587 or Paul.Peterson@cmegroup.com).