

Daily Livestock Report

Vol. 7, No. 185 / September 28, 2009

Please see page 2 for a Special Executive Report from CME Group regarding Live Cattle Delivery Procedures.

An alert reader pointed out to us this morning that the year-to-date data in Friday's Production and Price Summary was out of date. Our bad for neglecting to update it. The correct data for all four species are shown in the table below.

Beyond domestic hog supplies, the other piece of the U.S. hog and pork supply picture is, of course, imports of pigs from Canada. USDA's Agricultural Marketing Service publishes data based on weekly tallies of Animal Plant Health Inspection Service border inspection data. The weekly data for 2007 through 2009 and the averages for 2003-2007 appear in the charts at right. As can be seen, the numbers of market hogs and feeder pigs coming from Canada are down sharply this year (27% and 71% YTD, respectively) while imports of cull breeding animals are 3.6% higher YTD.

Market hog imports have been remarkably stable at about 10,000 head per week since February. This volume of purchases is based on long-standing business relationship and contractual agreements. We expect imports to remain at this level for the foreseeable future provided the Canadian suppliers remain viable.

Feeder pig imports have generally trended downward at the same rate as last year but at a level about 30,000 per week lower than one year ago. As Canada's breeding herd continues to shrink (Stats Canada's October 1 inventory report will be release in mid-October), we expect this number to continue to fall at about the same rate that is has declined since March. That rate, though, depends on the specifics of Canada's federal sow buyout program that was announced in August but whose specifics are not yet known.

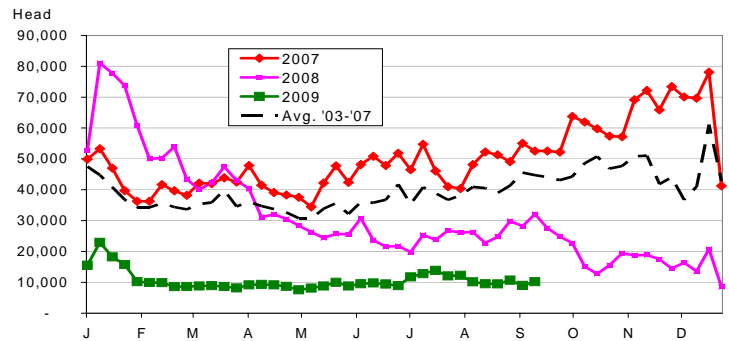
That same program will also almost certainly decrease imports of Canadian cull sows — just as last year's buyout did from July through September. Any reduction will boost sow prices in the U.S. and provide more slaughter plant capacity for U.S. sows, thus impacting the rate of U.S. sow herd reductions.

CORRECTED YEAR-TO-DATE DATA

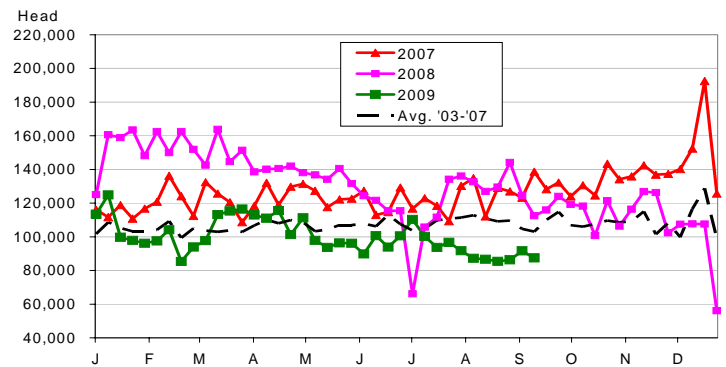
Week Ending 9/27/2009

	Units	Quantity	Yr/Yr Pct Change
FI Cattle Slaughter	Thous. Head	24,286	-4.8%
FI Beef Production	Million Lbs.	18,954	-3.8%
FI Hog Slaughter	Thous. Head	81,914	-3.2%
FI Pork Production	Million Lbs.	16,602	-2.0%
Young Chicken Slaughter	Thous. Head	5,832	-4.4%
Chicken Production	Million Lbs.	23,898	-4.7%
Turkey Slaughter	Thous. Head	168.1	-5.1%
Turkey Production	Million Lbs.	3786	-5.3%

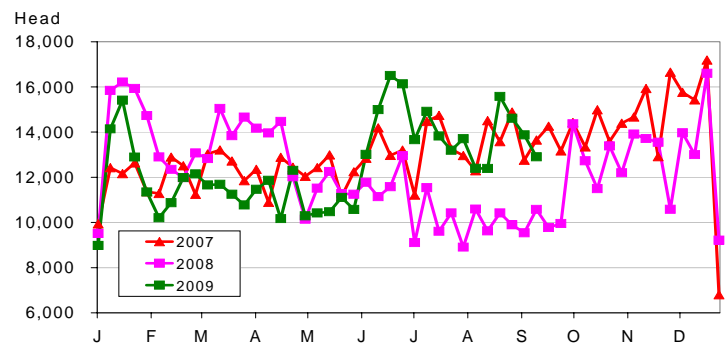
U.S. WEEKLY MARKET HOG IMPORTS FROM CANADA



FEEDER PIG IMPORTS FROM CANADA



CULL BREEDING HOG IMPORTS FROM CANADA, WEEKLY



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Special Executive Report

S-5016

September 28, 2009

REMINDER – LIVE CATTLE DELIVERY PROCEDURES

Market participants making deliveries against the CME Live Cattle Futures contract are reminded of their obligation to contact the delivery point and verify that it can accommodate a live-graded delivery on the corresponding delivery day, prior to tendering a Certificate of Delivery. This obligation is described in the final paragraph of Live Cattle Futures Rule 10104.A.:

10104. PROCEDURES FOR TENDER, DEMAND, RETENDER, RECLAIM, AND ASSIGNMENT OF CERTIFICATES OF DELIVERY

10104.A. Tendering a Certificate

(Prior text omitted)

The seller is responsible for determining, in advance of tendering a Certificate, if the delivery point stockyards will be able to accommodate a live-graded delivery on the sixth business day following the day of tender (fourth business day following the day of tender if tender is on or after the last trading day) should the buyer request one. If the buyer requests a live-graded delivery which the stockyards is unable to accommodate, then this will be deemed a failure by the seller to present a load of cattle for USDA grading under Rule 10103.B.8. In addition, the Exchange may prohibit deliveries on certain days for certain locations at which it deems deliveries would not be feasible due to auctions or other activities.

Due to potential conflicts with regularly scheduled auctions, most Live Cattle delivery points are not eligible to receive CME deliveries on at least one day each week. In addition, occasionally there may be special sales or other circumstances that temporarily reduce a delivery point's ability to accept Live Cattle deliveries on a particular day. For example, a delivery point might decline to schedule a Live Cattle delivery if it would interfere with an auction or other activity, or if the delivery point has already committed to a large number of Live Cattle deliveries and does not have sufficient capacity for any additional deliveries.

Failure by the seller to contact the delivery point and verify that it can accommodate a live-graded delivery, and the subsequent inability of the delivery point to accommodate a Live Cattle delivery after a Certificate of Delivery has been tendered, is considered to be a "failure by the seller to present a load of cattle" under Rule 10103. B.8. with a penalty on the seller of \$600 per delivery unit per day until the delivery can be completed.

If you have any questions regarding this matter, please contact Paul Peterson, Director, Commodity Research & Product Development Department, at (312) 930-4587 or paul.peterson@cmegroup.com