

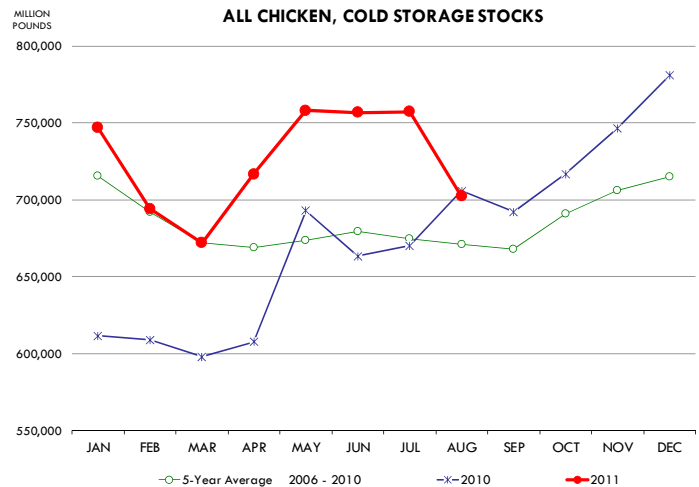
Market Comments

Special Notice: On page 2 we have included details on the introduction of the CME Weekly Live Cattle Options. These new options will become available on September 26 and seek to complement the standard, serial and calendar spread live cattle options that currently exist. This should provide further liquidity and enhanced risk management tools for the live cattle contract.

USDA released on Thursday afternoon its latest 'Cold Storage' report, offering a snapshot of the supply of beef, pork and poultry in cold storage as of August 31st, 2011. The results of the survey were generally supportive for meat prices going forward, particularly for pork and chicken. The impact on futures will likely be limited, however, as market participants are more focused on what is happening in outside markets. Commodity and equity markets declined sharply on Thursday but have bounced back in overnight trading. Concerns about the global economic outlook and the risk of a sovereign debt crisis in Europe will likely continue to have an outside impact on markets, eclipsing, at least in the short term, fundamentals. Below are some of the highlights from the latest cold storage report. You can find [full details on page 4](#).

Beef: Total beef stocks on August 31 were 429.2 million pounds, 10.8% higher than the same period a year ago but still some 3% lower than the five year average. Beef inventories rose 3.4% compared to the previous month, in line with historical averages. Seasonally beef inventories increase going into the fall and current stocks are far from burdensome. Beef inventories should continue to increase into Q4 as retailers and foodservice operators build stocks ahead of year end holidays.

Pork: Total pork inventories at the end of August were reported at 440.7 million pounds, 13.5% higher than a year ago but 4% lower than the five year average. In the last five years pork stocks on average have declined about 1% from July to August. This August, however, pork inventories declined 3%, an indication that domestic and export demand remains in good shape. Total pork inventories are higher than last year but this largely reflects the need for larger staging stocks given the mammoth increase in export business. Some of



our work in this area shows a strong relationship between export volume and the level of inventories required to service this business. Ham stocks at the end of August were 148.8 million pounds, 4.7% higher than a year ago and 7.6% higher than the five year average. Inventory build for the month was in line with historical trends. Belly inventories seasonally decline into September and this year is no different. Belly stocks at the end of August were down 48.7% from the previous month compared to a normal drawdown pace of about 45%. Inventories of pork loins at the end of August were 22.5 million pounds, 46% higher than a year ago but we suspect this was in part driven by improvement in export business. Pork loin prices in the domestic market remain very strong.

Broilers: One of the more positive signs in the report was the sharp drawdown in chicken inventories during August. Broiler stocks in August were 702.2 million pounds, 7.2% lower than just a month ago. Total broiler inventories are now slightly lower than the previous year but still 4.7% higher than a year ago. Cutbacks in production appear to be having an effect. Inventories of leg quarters, an export item, were down 21.4% from the previous month and are now 23.5% lower than the previous year. Inventories of breast meat remain heavy and it will take another 2-3 months to bring them in balance.

**Announcing Weekly Live Cattle Options
Coming September 26, 2011**



The Daily Livestock Report is published by **Steve Meyer** and **Len Steiner**. Please forward to others that may benefit from this information. To subscribe/unsubscribe visit www.dailylivestockreport.com.

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New Opportunities in Live Cattle Options

Substantial growth in volume and open interest, and addition of Weekly options, expands opportunities for hedgers and institutional investors

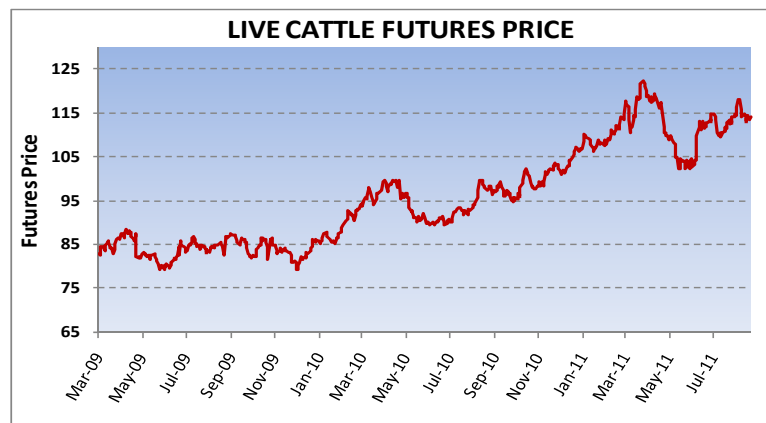
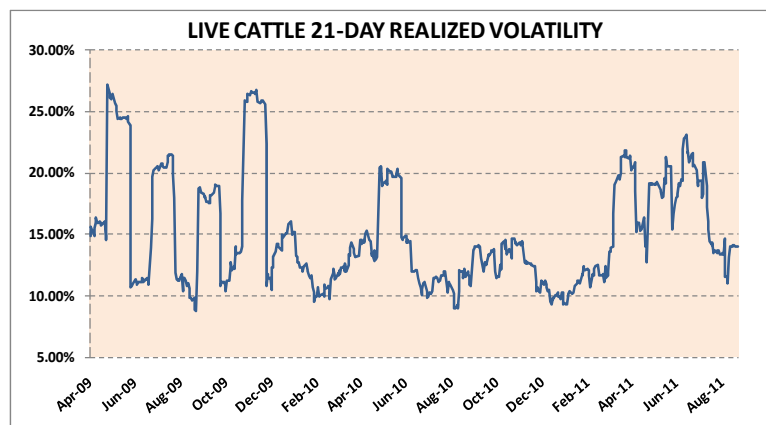
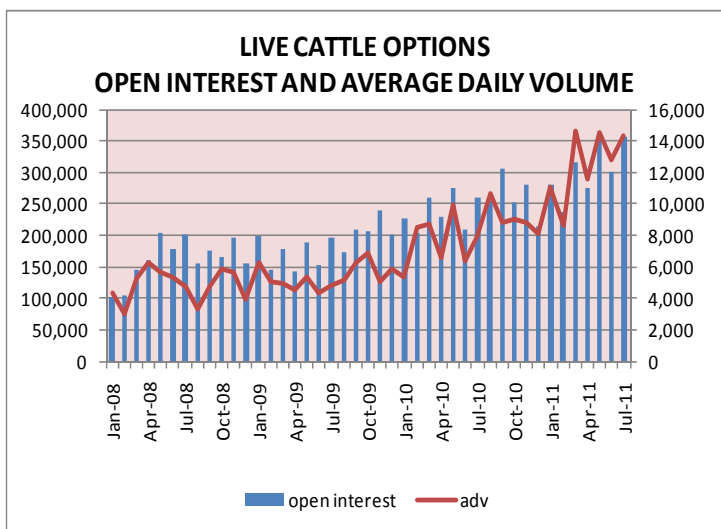
With higher livestock prices driven by tight supplies, higher feed costs, export demand and the fluctuating value of the U.S. dollar, Live Cattle options are attracting a great deal of market interest. Livestock options provide participants in the agribusiness markets with a liquid tool for risk management. In addition, they offer institutional investors a great opportunity to participate in the actively-traded commodity space, in a mature agricultural market that reacts to basic supply and demand economics.

With the introduction of Weekly Live Cattle options on September 26, 2011 complementing the standard, serial and calendar spread options, Live Cattle Options provide even more advantages for options traders:

- A market with high volatility, where volume and open interest have doubled over the last two years
- A new lower premium, short-dated alternative for trading options
- The ability to implement targeted trading strategies based on specific high impact economic events, such as USDA Cattle on Feed, and Crop reports.
- Choice of venues—open outcry or CME Globex—for efficient trade execution.

Live Cattle Options Product Suite

- **Standard and serial long-dated options**
- **Calendar Spread Options**
- **New: Weekly Options –Coming September 26, 2011**



Weekly Live Cattle Options Frequently Asked Questions

How do weekly options work? Weekly options are essentially short-dated serial options. All Weeklies will have the same contract specifications — American style exercise, strike price ranges, strike price increments, minimum option premium increments, daily and final settlement — as the standard or serial options. The only distinctions between Weeklies and standard or serial options are the listing cycles and ticker symbols. Three weeklies will be listed at a time for each futures product. The Exchange will list new weeklies for expiration following the latest expiration of a weekly option.

What is the naming convention for weekly options on live cattle futures? The naming convention is Symbol + Week of the Month + Month Code + Year. The ticker symbols for Weekly Live Cattle options are **LC1-5 for open outcry, and LE1-5 for CME Globex**. For example, the open outcry symbol for a Weekly Live Cattle option expiring on the fifth Friday in September 2011 is LC5U11.

When do weekly options expire? Weeklies will be listed to expire every Friday, except for those Fridays on which standard or serial options are scheduled to expire. Weeklies **will not** be listed for expiration on the same date as the expiration of a standard or serial option. Thus, every Friday there will be an option expiring: a standard, a serial, or a Weekly option. In cases where Friday is a holiday, the Weekly that would otherwise be scheduled to expire will expire on the preceding Exchange business day. The table shows an example of the expiration schedule for Live Cattle options for October 2011.

First Trade Date	Expiration Date	Week	Option Type	Outcry Symbol	Underlying Futures	Globex Symbol
October 2011						
10/4/2010	10/7/2011	n/a	Standard	LCV11	Oct-11	LEV11
9/26/2011	10/14/2011	2	Weekly	LC2V11	Dec-11	LE2V11
9/26/2011	10/21/2011	3	Weekly	LC3V11	Dec-11	LE3V11
10/10/2011	10/28/2011	4	Weekly	LC4V11	Dec-11	LE4V11

Do weekly options exercise physically or by cash settlement? Each weekly option exercises physically into its underlying futures contract. If a weekly expires prior to the nearby expiration date of the related standard option, then the weekly will exercise into the nearby underlying futures. If the weekly expires after the nearby expiration date of the related standard option but before the expiration date of the nearby underlying futures, then it will exercise into the first-deferred underlying futures.

For additional information on Weekly Live Cattle options, including complete FAQ, contract specifications and trading calendar, please visit www.cmegroup.com/weeklyags. Or contact:

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Daily Livestock Report

Published daily by Steve Meyer and Steiner Consulting Group

Vol. 9, No. 182 / September 23, 2011

USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Aug-10	30-Jul-11	31-Aug-11	Aug-10	Jul-11
1,000 Pounds					
Frozen Pork					
<i>Picnics, Bone-In</i>	6,434	9,707	7,237	112	75
<i>Hams, Total</i>	142,071	134,397	148,788	105	111
<i>Bone-in</i>	80,473	72,567	77,743	97	107
<i>Boneless</i>	61,598	61,830	71,045	115	115
<i>Bellies</i>	7,202	29,503	15,143	210	51
<i>Loins, Total</i>	15,454	21,715	22,527	146	104
<i>Bone-in</i>	5,521	5,697	6,761	122	119
<i>Boneless</i>	9,933	16,018	15,766	159	98
<i>Ribs</i>	33,462	41,199	37,016	111	90
<i>Butts</i>	6,181	16,484	14,415	233	87
<i>Trimming</i>	27,847	36,504	33,104	119	91
<i>Other</i>	79,712	89,230	87,041	109	98
<i>Variety Meats</i>	27,230	28,782	30,486	112	106
<i>Unclassified</i>	42,699	46,816	44,909	105	96
Total	388,292	454,337	440,666	113	97
Frozen Beef					
<i>Boneless</i>	316,140	360,200	363,366	115	101
<i>Beef Cuts</i>	71,298	55,000	65,785	92	120
Total	387,438	415,200	429,151	111	103
Other					
<i>Veal</i>	7,785	3,617	3,965	51	110
<i>Lamb & Mutton</i>	19,859	21,034	21,210	107	101
Total	27,644	24,651	25,175	91	102
Total Red Meat	803,374	894,188	894,992	111	100
Chicken					
<i>Broilers (Whole)</i>	20,303	22,668	21,729	107	96
<i>Breasts and Breast Meat</i>	94,063	146,612	137,179	146	94
<i>Leg Quarters</i>	125,908	122,584	96,354	77	79
<i>Wings</i>	51,241	72,477	63,930	125	88
<i>Other Chicken</i>	414,221	392,773	383,037	92	98
Total	705,736	757,114	702,229	100	93
Turkey					
<i>Whole Turkeys</i>	300,416	287,052	290,132	97	101
<i>Turkey Breast</i>	63,171	69,832	60,149	95	86
<i>Other</i>	138,588	167,962	173,421	125	103
Total	502,175	524,846	523,702	104	100
<i>Ducks</i>	5,152	6,091	5,804	113	95
Total Poultry	1,213,063	1,288,051	1,231,735	102	96

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