

Daily Livestock Report

Vol. 8, No. 250, December 29, 2010

Please see page 3 of today's edition for an announcement from CME Group regarding Lean Hogs Options.

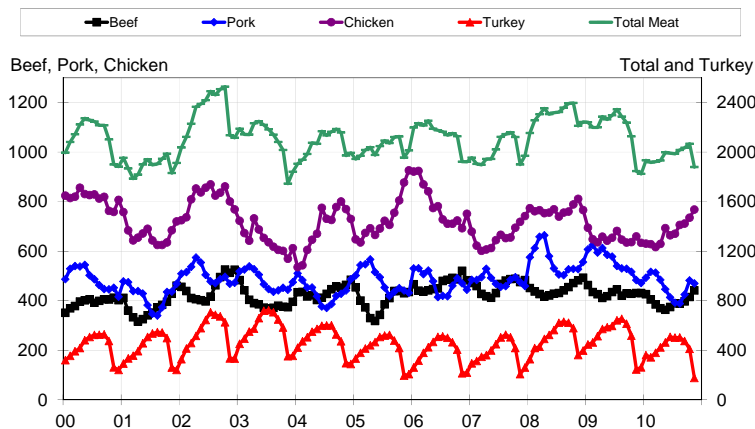
ERRATA: Yesterday's table containing percentage of year-ago figures for items from USDA's Hogs and Pigs Report contained two errors. The figures for the under-50 lb. and 50-119 lb. inventories were 97.3% and 96.8% and they should have been 99.2% and 98.4%. We somehow got an incorrect number for the December 1, 2009 inventories of those two weight classes in our spreadsheet. To our knowledge, all of the other data are correct.

Amid all of the holiday hubbub and our last-minute (meaning "normal" for us males) Christmas shopping last week, we overlooked the release on December 22 of USDA's monthly Cold Storage report. The report showed the predictable November decline in total meat and poultry inventories as turkeys and hams moved to consumers for Thanksgiving celebrations. But it also showed a continuation of the recent buildups of chicken and beef inventories — the former being of significant concern at the moment. Data for month-end inventories by species appear in the chart at right. Data for all species appear in the table on page 2. Some highlights of the December report are:

- Total meat and poultry inventories as of November 30 amounted to 1.879 billion pounds, 1.8% higher than one year ago but 9.1% lower than on October 31. This puts November cold storage stocks among the lowest of this decade. In addition, note that this year's seasonal reduction of meat and poultry stocks STARTED at one of the lowest levels on record. There is not a lot of meat protein in storage to backstop current production as we enter 2011.
- As expected, reductions in whole turkey inventories led the way in both unit and percentage terms. That is quite normal for November. What is more important, however, about this seasonal drawdown is the level of turkey stocks at month's end — only 175.8 million pounds. That is the lowest month-end stock of turkey since March 1986. Lower production put turkey margins firmly in the black in 2010 and the sector could well remain profitable in 2011 even with sharply higher feed costs. At the least, we see little chance of significant output growth, meaning that these stock levels, though increasing seasonally, will remain low relative to those of 2008 and 2009.
- Pork stocks were down 2.8% from last year and 2.5% from last month and remain in the lower part of their historical range — even as slaughter and production surged during Q4. As expected, hams were the big driver of the month-to-month reduction with November 30 stocks nearly 35% lower than those of October 31. That reduction is also quite common given the popularity of ham for Thanksgiving and for Christmas gifts. Ham inventories, though, were still 21% larger than last year. Stocks of all other pork cuts except picnics, other pork and variety meats increased during November. But stocks of most of those cuts remained smaller than year-ago levels.
- Chicken inventories are once again becoming worrisome. Total chicken in freezers on November 30 amounted to 767.4 million pounds, 16.4% larger than one year ago and their highest level since November 2008. The November 30 stocks were also 4.5% larger than one month earlier. Most concerning is the continued buildup of leg quarter items. Stocks of leg quarters are up 80% from last year and 10% from last month while leg stocks are nearly 5X last year's level and 19% higher than in October. There were 218 million pounds of leg quarters, legs, thighs and thigh quarters and thigh meat in freezers on November 30 — 80% more than last year and 10% more than last month. If Russia carries through with its "no frozen chicken" threat, a good portion of these stocks will have to find a home somewhere else and that could put some pressure on pork trimmings and grinding beef as more chicken finds its way into processed meat product formulations. Stocks of "other" chicken, which usually comprise 40-50% of total chicken in freezers, were 2.3% higher than last year and 3.5% higher than last month. We believe that most of this product is comprised of processed chicken products such as nuggets, tenders, etc.
- Beef stocks were 2.3% higher than last year and 6.3% higher than last month with boneless beef stocks growing by over 7% during the month. While growing, beef stocks are still well within their normal historical range.

MEAT IN COLD STORAGE

Million Lbs., Product Weight



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USDA Cold Storage Report December 22, 2010

	Quantity (Thousand Pounds)			Current as pct. of:	
	11/30/09	10/30/10	11/30/10	11/30/09	10/30/10
Chicken	----- Thous. Lbs. -----				
Whole Chickens	18761	15,877	14,106	75.2	88.8
Hens, Mature Chickens	2820	2,006	2,129	75.5	106.1
Breasts & Breast Meat	129011	103,848	112,396	87.1	108.2
Drumsticks	13620	23,675	27,030	198.5	114.2
Leg Quarters	73123	119,147	131,516	179.9	110.4
Legs	5664	23,442	27,794	490.7	118.6
Thigh & Thigh Quarters	9613	11,952	10,434	108.5	87.3
Thigh Meat	19241	20,224	21,224	110.3	104.9
Wings	40680	55,071	59,635	146.6	108.3
Paws and Feet	16158	32,288	22,758	140.8	70.5
Other	330635	327,010	338,370	102.3	103.5
Total Chicken	659,326	734,540	767,392	116.4	104.5
Turkey					
Whole Turkeys	76,195	242,209	44,241	58.1	18.3
Toms (Whole)	37,151	145,758	23,359	62.9	16.0
Hens (Whole)	39,044	96,451	20,882	53.5	21.7
Breasts	61,858	41,156	32,599	52.7	79.2
Legs	7,719	7,653	12,419	160.9	162.3
Mech. Deboned Turkey	7,595	7,230	9,433	124.2	130.5
Other Turkey	21,889	25,730	22,865	104.5	88.9
Unclassified	69,224	86,183	54,288	78.4	63.0
Total Turkey	244,480	410,161	175,845	71.9	42.9
Ducks	4,507	3,422	2,998	66.5	87.6
Total Poultry	908,313	1,148,123	946,235	104.2	82.4

	Quantity (Thousand Pounds)			Current as pct. of:	
	11/30/09	10/30/10	11/30/10	11/30/09	10/30/10
Frozen Pork	----- Thous. Lbs. -----				
Picnics, Bone-in	11,392	6,108	5,053	44.4	82.7
Hams, Total	83,377	154,527	100,878	121.0	65.3
Bone-in	42,969	86,194	51,669	120.2	59.9
Boneless 3/	40,408	68,333	49,209	121.8	72.0
Bellies	44,638	23,248	37,695	84.4	162.1
Loins, Total	36,648	23,469	36,343	99.2	154.9
Bone-in	14,378	7,551	12,056	83.9	159.7
Boneless 4/	22,270	15,918	24,287	109.1	152.6
Ribs 5/	84,466	54,023	66,912	79.2	123.9
Butts	16,212	12,564	15,696	96.8	124.9
Trimming 6/	39,599	37,190	40,127	101.3	107.9
Other 7/	81,101	86,074	84,481	104.2	98.1
Variety Meats 8/	22,145	33,554	30,513	137.8	90.9
Unclassified 9/	63,238	50,896	51,723	81.8	101.6
Total Pork	482,816	481,653	469,421	97.2	97.5
Frozen Beef					
Boneless 1/	371,515	347,870	372,942	100.4	107.2
Beef Cuts 2/	59,398	66,777	68,018	114.5	101.9
Total Beef	430,913	414,647	440,960	102.3	106.3
Other Meat					
Veal	8,054	6,117	5,695	70.7	93.1
Lamb & Mutton	15,052	16,189	16,500	109.6	101.9
Total Other Meat	23,106	22,306	22,195	96.1	99.5
Total Meat	936,835	918,606	932,576	99.5	101.5

Total Meat & Poultry	1,845,148	2,066,729	1,878,811	101.8	90.9
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1/ Includes all boxed boneless beef, such as ground beef, roasts, steaks, loins, strips, rounds, trimmings, etc. Variety meats (edible offal), such as tongues, livers, hearts, kidneys and other organs removed from slaughtered beef are included as miscellaneous freezer stocks. 2/ Includes all boxed primal beef cuts, bone-in. 3/ Includes full ham, bone removed and individual muscles separated. 4/ Includes pork tenderloins.
5/ Includes spareribs and backribs. 6/ Includes 42% regular trimmings, 72% special trimmings, boneless picnic meat, jowls, neckbone trimmings, blade, cheek, head and shank meat, etc. Packaged bacon, sausage, and processed items such as hot dogs and luncheon meats, are included in miscellaneous cooler or freezer stocks. 7/ Includes ears, tails, feet, neckbones and snouts.
8/ Includes tongues, kidneys, livers, stomachs, hearts, chitterlings, salivary glands, and other organs. 9/ Includes product unable to be classified elsewhere in this report.

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AGRICULTURAL PRODUCTS ADVISORY

EXPANDED LISTING CYCLE FOR LEAN HOG OPTIONS

In response to customer requests, the listing cycle for Lean Hog options will be expanded from **eight contract months to ten contract months**. The expanded listings go into effect on **Monday, January 10, 2011** with the listing of the **February 2012 and April 2012** Lean Hog options contract months.

For more information, please contact:

Tom Clark	thomas.clark@cmegroup.com	312 930 4595
Jack Cook	jack.cook@cmegroup.com	312 930 3295

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