

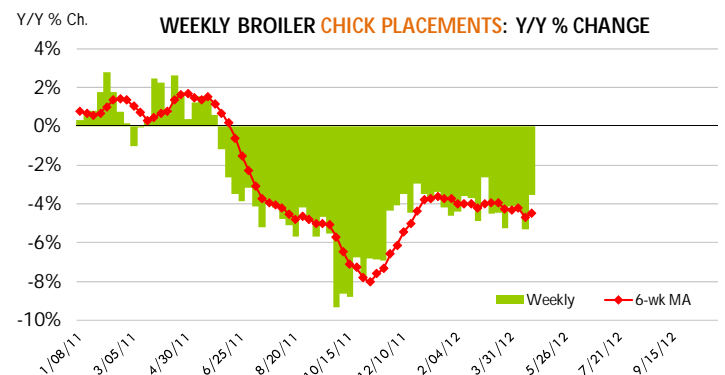
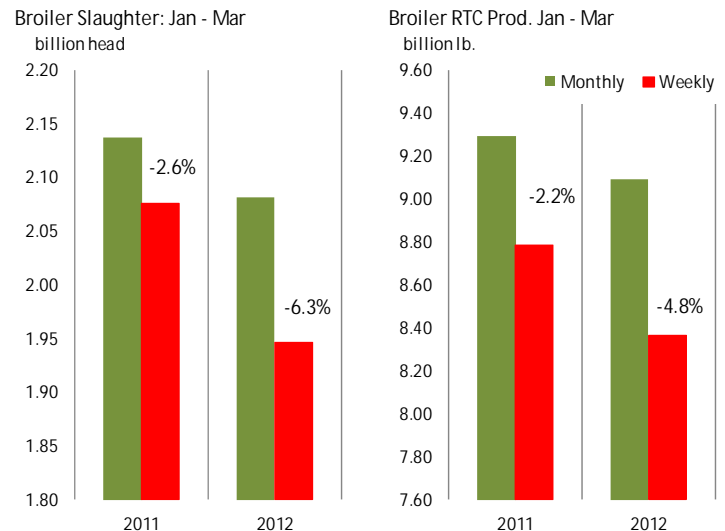
Market Comments

BSE Follow-up: Cattle futures were higher yesterday as market participants were reassured by the response of a number of key trading partners who affirmed the new case of BSE will not affect beef trade. Also coverage of the issue in the media was restrained and devoid of sensationalism. As the LFTB issue showed, how the media approaches an issue has an significant impact on the consumer response. We can only hope that the popular press opts for facts rather than sensationalism and, in this case, it appears the former have prevailed. Also positive for the cattle market is the sharp turnaround in the price of the beef cutout, with the choice beef cutout closing last night at \$190.5/cwt., \$13.8/cwt. or 8% higher than just two weeks ago. The higher prices have in part come from packers cutting back on slaughter but also because the negative effect of the LFTB stories seems to be waning. One sign of that is the recovery in the price of fat beef trim, which is now trading in the mid 80c/lb. compared to about 50 c/lb (or even less) in early April.

Broiler Output: The broiler production statistics released by USDA yesterday afternoon (Apr. 25) confirmed what the weekly data has been showing for some time, significant declines in the number of broilers coming to market and a sharp contraction in output. Total broiler RTC (ready-to-cook) production for the month was 3.043 billion pounds, **8.1% lower than a year ago**. Broiler slaughter in March was 699.1 million head, 8.5% lower than March 2011. Implied dressed carcass bird weight for the month was 4.35 pounds, 0.5% higher than a year ago. The reduction in broiler supplies has had a significant impact on broiler prices, particularly the price of wings and dark meat. Wing prices, an item that last April was trading at around 80 cents per pound, current are quoted at about \$1.80/lb. The price of leg quarters, the benchmark dark meat item, currently is hovering at 53-54 cents per pound, compared to around 47-48 cents last year, a 13% increase. Breast meat values continue to be somewhat subdued but the industry appears to no longer rely on white meat to carry the broiler carcass value. Despite out front corn prices trending lower, producers remain on the defensive, as evidenced by the continued year/year decline in the number of eggs set in incubators and chick placements (see chart).

One issue that needs to be considered when looking at the supply data for chicken is that through the first three months of the year, a discrepancy has formed between the statistics issued in the monthly report (which are the official data) and the

Comparison of USDA Broiler Supply Data: Monthly vs. Weekly Statistics



weekly USDA supply data. The weekly data are considered estimates and are derived from a smaller sample than the monthly numbers and from time to time there are discrepancies between the two data sets. This year the discrepancy appears to be quite large, with Q1 broiler slaughter based on the monthly statistics down 2.6% from last year (see chart). Weekly statistics for the same period show a 6.3% decline. We expect the gap between these two reports to narrow with time but for the moment, consider this when looking at the broiler supply numbers.

Announcing Weekly Live Cattle Options Now Trading



The Daily Livestock Report is published by Steve Meyer and Len Steiner. To subscribe/unsubscribe visit www.dailylivestockreport.com.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2011 CME Group. All rights reserved.