CME Group

Daily Livestock Report

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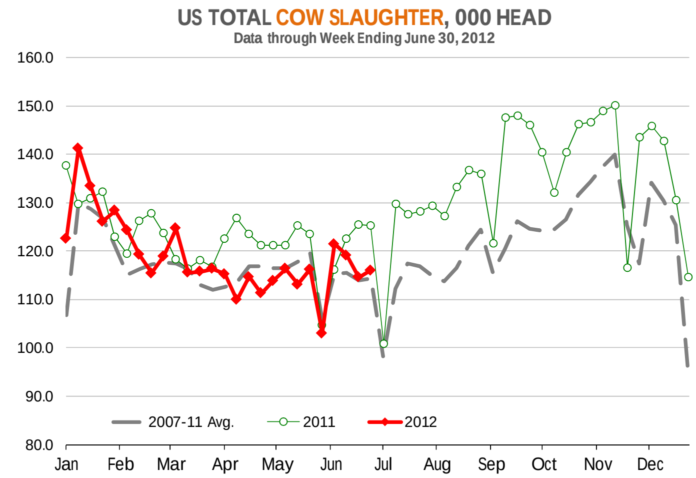
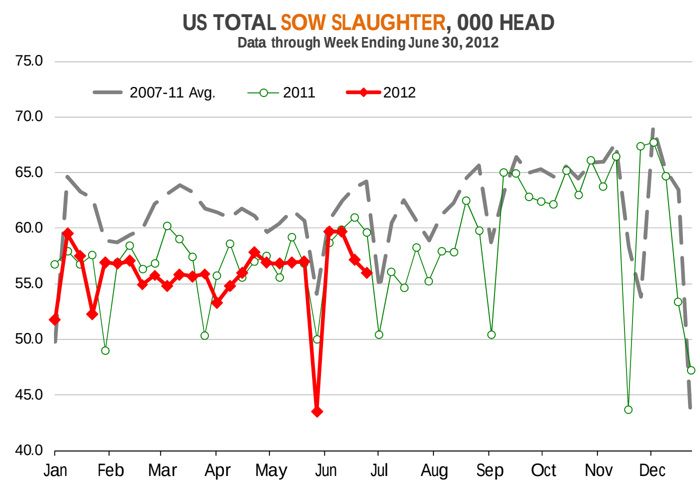
Market Comments





Cattle: Total cattle slaughter for the week was 641,000 head, almost 12% higher than the previous week (holiday week) but still about 4.7% lower than a year ago. Lower fed cattle slaughter has offset an increase in cow numbers. As pastures across much of the central US continue to dry up, more cows are starting to show up. The official USDA data on cow slaughter is reported with a two week lag and it continues to show cow slaughter below year ago levels (see chart). However, estimated cow slaughter for the week ending July 14 is about 3% higher than a year ago. USDA last week reported that **half of all US pastures are in poor or very poor condition.** While the situation in Texas and Oklahoma is a bit better than it was last year, it is still far from ideal. Missouri ratings show 86% of pastures there in poor or very poor condition. Generally pasture conditions deteriorate throughout the summer and the outlook so far is for current drought conditions to persist. This will continue to pressure cow-calf operators and push more cows to market. Even more important for cow-calf operators, however, is the outlook for calf prices next year. Data shows that feeder cattle prices have a more pronounced impact on cow slaughter than pasture conditions. Feeder cattle futures have dropped almost $20/cwt in the last four weeks as corn, DDG and soybean meal values have skyrocketed. Current corn cash price (Omaha Basis) is near $7.5 per bushel, soybean meal is up 36% from last year at 474 per ton and DDGs are also up 35% (see table on page 2). Hay prices continue to also hit new highs with national alfalfa price in June up 12% over last year. Wide range of prices for hay, with high quality alfalfa fetching over 300 per ton in some areas. Some areas, like Missouri, are seeing farmers feeding hay to remaining livestock while feedlots are struggling with least cost formulations given the simultaneous rise in just about all feedstock.

Hogs: Sharp rise in feed costs and softer wholesale pork prices may be pushing more sows to market. As with cows, we are looking at data that is about two weeks old. However, the weekly sow prices tell the story. Light sow prices have declined about $4/cwt or 8% in the last 10 days while heavier and better quality sow values are down about 3% during the same period. The IA/MN average hog carcass price for the week was quoted at $96.34/cwt, about 3% lower than the week before. Hog prices were under pressure all week and on Friday values closed at $91.86, down about 8% from where they started the week last Monday. While belly prices remain firm, weakness in a number of retail grilling items has negatively impacted carcass values. High temperatures across the country appear to have limited grilling demand, with prices for ribs and loins down sharply this week. Weak wholesale values had packers taking a wait and see approach. Pork exports have been good through May but it will be difficult to match the pace of the second half of 2011. Reports indicating that China pork production in Jan - Jun period of 2012 was up 6% from last year.

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PRODUCTION & PRICE SUMMARY

Week Ending 7/14/2012

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change	Last 52 Weeks	Pct. Change
			14-Jul-12	7-Jul-12		16-Jul-11					
	Total Red Meat & Poultry	**mil lbs., cwe**	**1,608**	**1,623**	-0.90%	**1,635**	-1.61%	**46,135**	10.3%	**87,668**	10.5%
	FI Slaughter	Thou. Head	641	574	11.67%	673	-4.68%	17,293	-4.4%	32,745	-2.8%
C	FI Cow Slaughter **	Thou. Head	116	115	1.22%	125	-7.41%	3,087	-3.5%	6,599	2.1%
A	Avg. Live Weight	Lbs.	1303	1299	0.31%	1272	2.44%	1,296	1.7%	1,291	0.6%
T	Avg. Dressed Weight	Lbs.	791	787	0.51%	775	2.06%	785	1.9%	781	0.7%
T	Beef Production	Million Lbs.	505.9	451.0	12.17%	519.0	-2.52%	13,545	-2.5%	25,501	-2.0%
L	Live Fed Steer Price	$ per cwt	114.69	117.11	-2.07%	110.93	3.39%				
E	Dressed Fed Steer Price	$ per cwt	182.16	187.03	-2.60%	178.56	2.02%				
	OKC Feeder Steer, 600-700	$ per cwt	N/A	159.50	N/A	144.88	N/A				
&	Choice Beef Cutout	$ per cwt	187.33	193.52	-3.20%	180.86	3.58%				
	Hide/Offal	$ per cwt, live wt	13.17	12.95	1.70%	13.69	-3.80%				
B	Rib, Choice	$ per cwt	278.67	296.57	-6.04%	259.36	7.45%				
E	Round, Choice	$ per cwt	156.80	154.85	1.26%	154.65	1.39%				
E	Chuck, Choice	$ per cwt	141.93	144.29	-1.64%	145.80	-2.65%				
F	Trimmings, 50%	$ per cwt	49.19	49.99	-1.60%	82.81	-40.60%				
	Trimmings, 90%	$ per cwt	219.00	219.68	-0.31%	184.71	18.56%				
	FI Slaughter	Thou. Head	1,959	1,755	11.62%	2,024	-3.20%	58,059	1.4%	110,740	1.7%
	FI Sow Slaughter **	Thou. Head	56.0	57.1	-1.96%	59.6	-6.00%	1,450	-1.9%	2,999	1.2%
H	Avg. Dressed Weight	Lbs.	204.0	205.0	-0.49%	202.0	0.99%	208	0.4%	206	0.1%
O	Pork Production	Million Lbs.	400.1	360.2	11.08%	410.2	-2.46%	12,061	1.8%	22,815	1.9%
G	Iowa-S. Minn. Direct	Wtd. Avg.	96.34	99.33	-3.01%	92.43	4.23%				
S	Natl. Base Carcass Price	Wtd. Avg.	95.87	97.02	-1.19%	91.53	4.74%				
	Natl. Net Carcass Price	Wtd. Avg.	98.43	99.69	-1.26%	94.38	4.29%				
	Pork Cutout	185 Lbs.	89.61	91.54	-2.11%	98.22	-8.77%				
	Hams	$ per cwt	71.94	72.13	-0.26%	79.73	-9.77%				
	Loins	$ per cwt	99.36	102.88	-3.42%	114.12	-12.93%				
	Bellies	$ per cwt	134.52	132.89	1.23%	129.58	3.81%				
C	Young Chicken Slaughter *	Million Head	142.7	160.8	-11.28%	145.1	-1.62%	4,089	-5.1%	7,866	-5.6%
H	Avg. Weight (Live)	Lbs.	5.65	5.75	-1.74%	5.66	-0.18%	5.73	0.0%	5.73	0.6%
I	Chicken Production (RTC)	Million Lbs.	608.7	698.3	-12.83%	611.7	-0.48%	17,632	-4.2%	33,821	-4.3%
C	Eggs Set	Million	194.1	196.3	-1.11%	195.0	-0.44%	5,324	-4.0%	10,089	-5.3%
K	Chicks Placed	Million Head	163.2	165.7	-1.54%	166.0	-1.68%	4,437	-3.4%	8,401	-4.5%
E	12-City Broiler Price	Composite	83.36	82.47	1.08%	79.85	4.40%				
N	Georgia Dock Broiler Price	2.5-3 Lbs.	93.9	93.81	0.10%	85.88	9.34%				
	Northeast Breast, B/S	$/cwt	137.42	136.08	0.98%	118.61	15.86%				
	Northeast Legs	$/cwt	64.46	69.43	-7.16%	62.85	2.56%				
T	Young Turkey Slaughter *	Million Head	3.919	4.694	-16.51%	3.988	-1.73%	117.666	-0.3%	230.500	-1.4%
U	Avg. Live Weight	Lbs.	29.85	30.21	-1.19%	29.4	1.53%	30.12	-0.3%	30.08	1.8%
R	Turkey Production (RTC)	Million Lbs.	93.5	113.4	-17.53%	93.8	-0.26%	2,897	1.9%	5,531	0.7%
K	Eastern Region Hen Price	8-16 Lbs.	106.10	106.50	-0.38%	104.00	2.02%				
G	Corn, Omaha	$ per Bushel	7.44	7.42	0.27%	7.29	2.06%				
R	DDGs, Minnesota	$ per Ton	242.50	230.00	5.43%	180.00	34.72%				
A	Wheat, Kansas City	$ per Bushel	8.23	7.94	3.65%	7.45	10.47%				
I	Soybeans, S. Iowa	$ per Bushel	16.19	16.19	0.00%	14.08	14.99%				
N	Soybn Meal, 48% Decatur	$ per Ton	473.70	476.80	-0.65%	348.50	35.93%				

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.