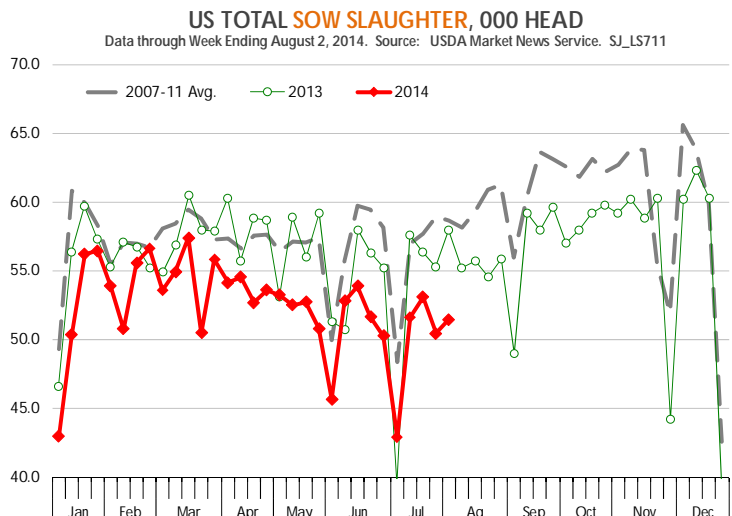
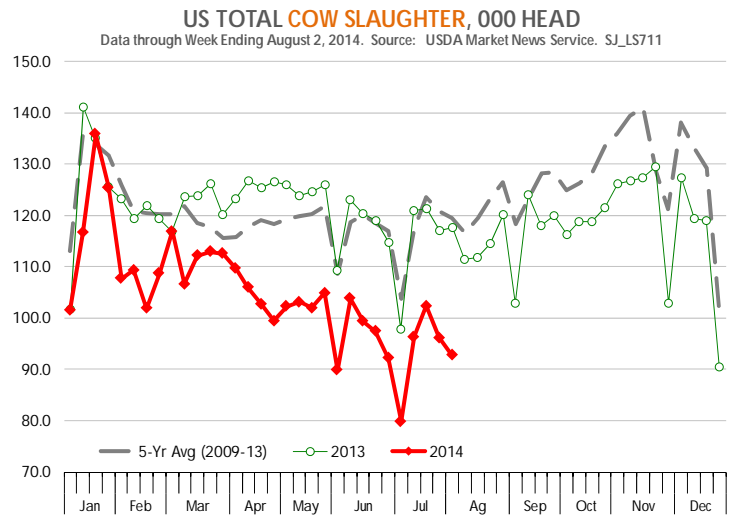


Reminder! Tomorrow is the last day to submit comments to CME on proposed changes to electronic trading hours for livestock products. If you have not already done so, you can submit comments following the link below and on page 3 we have once again included the CME :

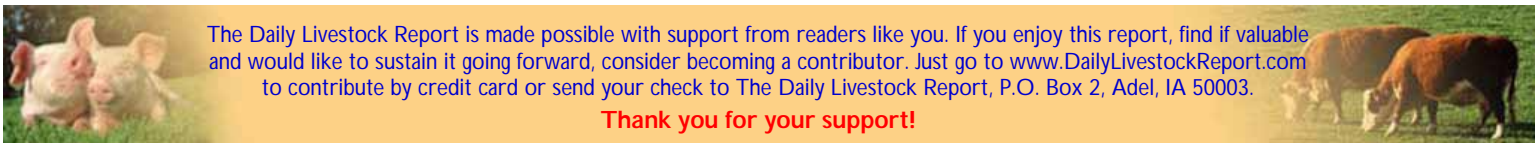
<http://www.cmegroup.com/livestockhours>

While there continues to be a lot of discussion in the market about potential beef and pork supplies in the short term (next 3-6 months) **it is important to continue to pay close attention as to what is happening with the breeding herd.** So far this summer, we have seen what you would normally expect in a market with steadily declining feed costs - producers are holding on to their stock as the profit outlook on future production has dramatically improved. The slaughter data for cows and sows is published with a two week lag and for the week ending August 2, USDA reported that total cow slaughter at 92,732 head was down 21% from a year ago. Indeed, US cow slaughter has averaged down 16% compared to year ago since March. The reduction in cow slaughter is but one part of the picture, however, as in order to ramp up output, producers not only need to hold on to their existing stock but they also need to bring more heifers into the herd. This is likely to be a much slower process than many market participants appreciate. We recently received a note from one of our readers, Robert Englehart with B+E Cattle Company and retired USAF Officer, who made some excellent points as to why the process of herd rebuilding will be particularly slow. First, he stressed the impact that drought had on producers during the past few years, causing the beef cow herd in that state to decline by about 1 million head in 2011 and 2012. This 20% decline in the inventory number was a shock that forced thousands of producers out of the market. And once those producers are out, it will be very difficult to bring them in simply because of the high risk/high cost of investing in the cattle business. The cost of entry has become exorbitant in recent months, with feeder cattle prices north of \$200/cwt. As Robert points out: "The absolute cost to get into beef production today prices potential small producers out. I've been very successful in selling yearling Brangus heifers and bulls for \$1200-1500. If you went to a livestock market (you need) to compete with the limited feeder supplies and have to shell out (now) \$1000+ for every calf (with no guarantee of reproduction)! That combined with high (on an absolute basis) hay/feed prices, it is very easy to see very few folks want to re-enter the industry after struggling through a historic drought. The capital required to enter the production market from scratch today is substantial." This is indeed a very salient point and one that analysts often forget. Yes, the promise of profits is as big today as it has been in decades but the capital demands are also much more significant and only larger producers are set up to pour money in a larger herd. The expenses related to pasture management and land costs also have skyrocketed. The higher prices of everything and extreme weather events make the cattle business a very risky place to be, something that will be challenging for an aging cattle producer base. For some, this may be



the right time to sell high rather than gamble on higher returns down the road.

The cattle business has been shrinking for many years in North America. Recognizing structural change is always difficult and often done with the benefit of hindsight. This is a sobering assessment from a producer that has and continues to experience the economics of the situation directly. We thank Bob for his note and salute him for his service.



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Daily Livestock Report

Sponsored by  **CME Group**

Vol. 12, No. 159 / August 18, 2014

PRODUCTION & PRICE SUMMARY

Week Ending **8/16/2014**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary.

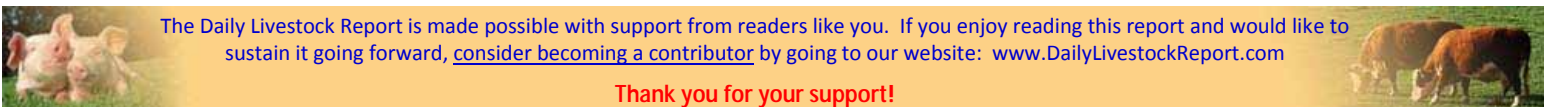
Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		16-Aug-14	9-Aug-14		17-Aug-13			
Total Red Meat & Poultry	mil lbs., cwe	1,612	1,662	-3.02%	1,730	-6.82%	53,685	-2.6%
C FI Slaughter	Thou. Head	577	573	0.70%	624	-7.56%	18,800	-7.0%
A FI Cow Slaughter **	Thou. Head	93	96	-3.52%	118	-21.15%	3,248	-13.7%
T Avg. Live Weight	Lbs.	1335	1331	0.30%	1310	1.91%	1,320	0.8%
T Avg. Dressed Weight	Lbs.	809	806	0.37%	799	1.25%	797	0.5%
T Beef Production	Million Lbs.	465.5	460.7	1.04%	497.6	-6.45%	14,983	-6.3%
L Live Fed Steer Price	\$ per cwt	154.74	159.92	-3.24%	124.12	24.67%		
E Dressed Fed Steer Price	\$ per cwt	243.69	251.03	-2.92%	198.00	23.08%		
& Georgia Feeder Steer	\$ per cwt	213.67	222.98	-4.18%	139.61	53.05%		
& Choice Beef Cutout	\$ per cwt	257.35	262.26	-1.87%	192.13	33.95%		
B Hide/Offal	\$ per cwt, live wt	16.65	16.41	1.46%	14.18	17.42%		
E Rib, Choice	\$ per cwt	348.36	352.31	-1.12%	299.34	16.38%		
E Round, Choice	\$ per cwt	253.69	262.37	-3.31%	163.52	55.14%		
F Chuck, Choice	\$ per cwt	222.67	226.87	-1.85%	161.55	37.83%		
F Trimmings, 50%	\$ per cwt	145.82	149.86	-2.70%	109.14	33.61%		
F Trimmings, 90%	\$ per cwt	296.17	293.82	0.80%	201.36	47.08%		
H FI Slaughter	Thou. Head	2,017	1,919	5.11%	2,185	-7.67%	64,938	-4.9%
H FI Sow Slaughter **	Thou. Head	51.5	50.5	2.05%	58.0	-11.23%	1,624	-6.2%
O Avg. Dressed Weight	Lbs.	213.0	213.0	0.00%	204.0	4.41%	214	3.9%
O Pork Production	Million Lbs.	429.7	408.9	5.09%	444.5	-3.33%	13,909	-1.2%
G Iowa-S. Minn. Direct	Wtd. Avg.	109.08	115.56	-5.61%	97.90	11.42%		
S Natl. Base Carcass Price	Wtd. Avg.	112.78	116.55	-3.23%	98.36	14.66%		
S Natl. Net Carcass Price	Wtd. Avg.	114.61	118.51	-3.29%	100.96	13.52%		
S Pork Cutout	205 Lbs.	116.00	126.70	-8.45%	103.57	12.00%		
S Hams	\$ per cwt	113.33	137.89	-17.81%	83.22	36.18%		
S Loins	\$ per cwt	121.90	128.09	-4.83%	105.79	15.23%		
S Bellies	\$ per cwt	128.44	136.07	-5.61%	177.44	-27.61%		
S Trimmings, 72%	\$ per cwt	111.60	134.31	-16.91%	81.12	37.57%		
C Young Chicken Slaughter *	Million Head	158.1	156.2	1.21%	159.4	-0.83%	4,880	-0.6%
H Avg. Weight (Live)	Lbs.	5.93	5.78	2.60%	5.64	5.14%	5.81	0.2%
I Chicken Production (RTC)	Million Lbs.	712.4	686.0	3.84%	683.2	4.27%	21,548	-0.4%
C Eggs Set	Million	206.1	205.8	0.11%	202.9	1.55%	6,504	1.2%
K Chicks Placed	Million Head	169.3	168.3	0.62%	166.2	1.88%	5,303	-0.1%
E National Composite Whole Bird	Composite	99.76	98.04	1.75%	91.36	9.19%		
N Georgia Dock Broiler Price	2.5-3 Lbs.	112.12	111.84	0.25%	104.75	7.04%		
N Northeast Breast, B/S	\$/cwt	182.2	186.99	-2.56%	182.18	0.01%		
N Northeast Legs	\$/cwt	58.38	60.74	-3.89%	69.66	-16.19%		
T Young Turkey Slaughter *	Million Head	4.458	4.427	0.70%	4.345	2.60%	131.840	-4.3%
U Avg. Live Weight	Lbs.	30.17	30.1	0.23%	30.12	0.17%	30.83	-0.1%
R Turkey Production (RTC)	Million Lbs.	4.5	106.6	-95.82%	104.7	-95.74%	3,246	-4.5%
K National Hen	8-16 Lbs.	106.36	106.59	-0.22%	99.00	7.43%		
G Corn, Omaha	\$ per Bushel	3.54	3.46	2.31%	6.04	-41.39%		
R Wheat, Portland (delivered)	\$ per Ton	6.88	6.75	1.93%	7.21	-4.58%		
A Wheat, Kansas City (deliv.)	\$ per Bushel	6.15	6.27	-1.91%	7.01	-12.27%		
I Soybeans, Cntrl IL	\$ per Bushel	12.89	12.63	2.06%	14.36	-10.24%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	450.40	437.60	2.93%	450.80	-0.09%		

* 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.

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FOR IMMEDIATE RELEASE**CME Group to Conduct Industry Outreach on CME Livestock Hours**

CHICAGO, August 6, 2014 – [CME Group](http://www.cmegroup.com), the world's leading and most diverse derivatives marketplace, today announced it will begin the process of conducting broad outreach to customers, producer groups and other market participants to review existing CME livestock trading hours on [CME Globex](http://www.cmeglobex.com).

"Livestock customers and industry participants have asked us to review the current electronic trading hours for our CME livestock products to ensure we are providing the most effective risk management and price discovery tools possible," said Tim Andriesen, Managing Director, [Agricultural Commodities](http://www.cmegroup.com) and Alternative Investments, CME Group. "This survey is part of our ongoing efforts to ensure our products continually reflect the changing needs of our customers and the market."

An online survey of CME Globex trading hours for CME Live Cattle, Feeder Cattle, and Lean Hog futures and options products will be made available to participants on CME Group's website from Wednesday, August 6 through Tuesday, August 19.

The CME Group survey is open to all CME livestock customers and market participants and can be found online at <http://www.cmegroup.com/livestockhours>.

As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) is where the world comes to manage risk. CME Group exchanges offer the widest range of global benchmark products across all major asset classes, including futures and options based on [interest rates](http://www.cmegroup.com), [equity indexes](http://www.cmegroup.com), [foreign exchange](http://www.cmegroup.com), [energy](http://www.cmegroup.com), [agricultural commodities](http://www.cmegroup.com), [metals](http://www.cmegroup.com), [weather](http://www.cmegroup.com) and [real estate](http://www.cmegroup.com). CME Group brings buyers and sellers together through its [CME Globex](http://www.cmeglobex.com)[®] electronic trading platform and its trading facilities in New York and Chicago. CME Group also operates [CME Clearing](http://www.cme.com), one of the world's leading central counterparty clearing providers, which offers clearing and settlement services across asset classes for exchange-traded contracts and over-the-counter derivatives transactions. These products and services ensure that businesses everywhere can substantially mitigate counterparty credit risk.

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