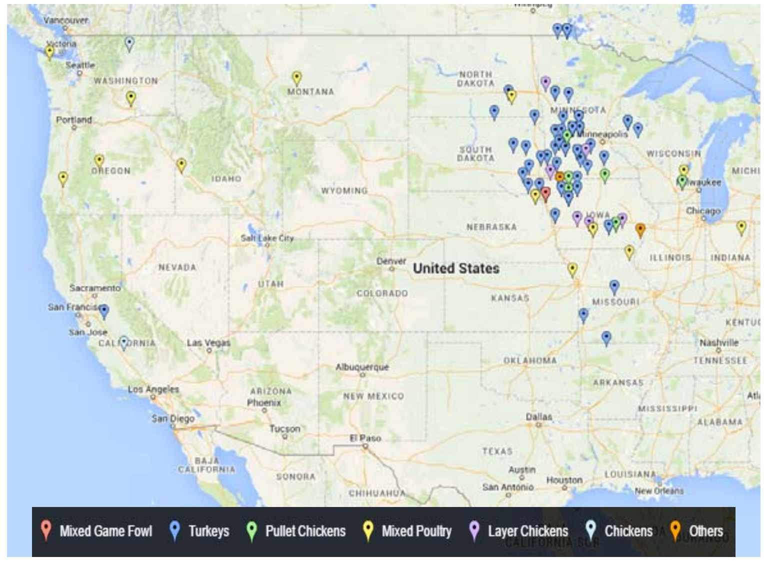
Vol. 13, No. 114 / June 15, 2015

CME Group will inaugurate a new order type— Trading At Settlement — in agricultural futures today. To explain the new order, they have prepared a video that can be easily accessed by clicking on the video image on page 2. Please check out this new trading tool.

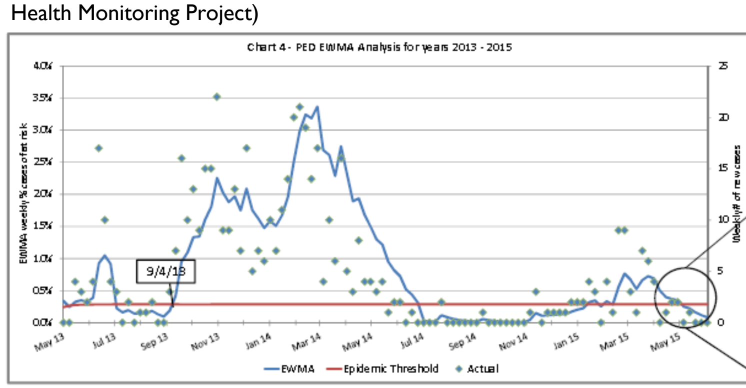
It appears that the incidence and spread of high pathogenic avian influenza (HPAI) is, as expected, slowing as the weather warms up. Some important developments in the avian influenza situation last week include:

- The week ending June 12 saw only one new case of HPAI and that case was in a small flock of mixed game and fowl. It involved 2500 birds and brings the total infected or destroyed to 47.091 million.
- USDA has now separated "chicken pullets" and "laying chickens" in there HPAI impact numbers. We could find no specific discussion of the change in the USDA materials but presume that this would separate young birds that had yet to begin laying from mature birds that were already in production. USDA says that 31.454 million laying chickens and 5.874 million pullet chickens have been lost as of last week. There were 295.9 million layers in inventory on May 1, 2.7% fewer than one year ago. This total includes some impact of HPAI.
- Turkey losses remain at 7.76 million. That compares to 2014 slaughter of 237 million — or nearly 3.3% of the total. Not all of those birds were "market flocks" as we have heard anecdotal reports of several breeder flocks being impacted. Having a breakdown of turkey losses between market and breeder flocks would be helpful since the market flock losses will impact markets for six months or less but breeder losses may impact markets for a year or more.
- There is still a lot of concern about what HPAI might do this fall. There is some talk that USDA is considering vaccination of broilers should the disease spread to the Southeast. The problem with that is that vaccination results in birds that will test positive for HPAI and the presence of positive birds will likely block exports even if the virus itself is no longer circulating in the population. Logically, the industry is pushing back on vaccination. While culling infected flocks is expensive, a lengthy block of exports from Georgia and Alabama, the number 1 and 2 broiler states, would be devastating to the U.S. broiler sector and a huge drag on competitor species.
- See the June 12 edition of The Daily Livestock Report — available in our archives at www.dailylivestockreport.com — for the changes that USDA made in its turkey and egg forecasts for 2015 and 2016.

Last year's big disease issue, porcine epidemic diarrhea virus (PEDv), continues to raise concerns about the coming winter as well. The University of Minnesota's Swine Health Monitoring Project gets data each week from 19 production systems that have roughly 2.1 million sows. That's about 40% of the national sow herd so, even though the same is not random, it is certainly large. It also represents all of the major production areas and thus provides, we think, a good picture of the activity level or PEDv in farrowing units where virtually all of the PEDv death losses occur. As can be seen, the number of sow farm cases has been at zero for each of the past three weeks and peaked out at only 9 in two weeks back in February.



Sow Farms Breaking With PEDV (Source: University of Minnesota, Swine Health Monitoring Project)



But what about this coming year? The concern arises from the fact that many of the sows that had immunities from 2013-14 infections will be gone by this fall, leaving many herds susceptible once again to PEDv. Some confidence comes from the fact that many systems have been exposing incoming gilts (young females) to the virus before adding them to sow herds. This practice will result in higher immunity levels than would adding PEDv-naïve gilts but there is some evidence that the immunity levels in gilts thus exposed are still not as high as those of sows that have gone through a break. Finally, producers simply know so much more about this disease and how to control it that many believe we will not see much impact this next winter. There is no consensus but the mood is that '15-'16 losses will be larger than last year but MUCH lower than in '13-'14.

Daily Livestock Report

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The Ins and Outs of Trading at Settlement

1 Jun 2015 // By CME Group // Topics: #Agriculture

Watch this video to learn the ins and outs of Trading at Settlement (TAS), a flexible and efficient new order type that can help you manage settlement price uncertainty. TAS allows a market participant to buy or sell futures contracts during the trading day equal to the yet-to-be-determined settlement price, or at a price up to four ticks above or below that price.

Note: Clicking the image above will send you to the CME website to view the video.

Daily Livestock Report

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PRODUCTION AND PRICE SUMMARY

Week Ending 6/13/15

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	Total Meat & Poultry Prod.	**Million lbs.**	**1698.1**	**1630.3**	**4.15%**	**1687.9**	**0.60%**	**39,340**	**2.93%**
C	FI Slaughter	Thou. Head	542	550	-1.45%	606	-10.53%	12,634	-7.25%
A	FI Cow Slaughter	Thou. Head	80.8	93.9	-14.02%	89.6	-9.86%	2,239	-6.31%
T	Avg. Live Weight	Lbs.	1327	1330	-0.23%	1306	1.61%	1,348	2.17%
T	Avg. Dressed Weight	Lbs.	813	814	-0.12%	795	2.26%	816	2.48%
L	Beef Production	Million Lbs.	439.5	446.6	-1.59%	480.4	-8.51%	10,281	-4.95%
E	Live Fed Steer	$/cwt live wt.	154.86	155.59	-0.50%	149.48	3.60%		
	Dressed Steer	$/cwt carcass	245.19	245.53	-0.14%	236.32	3.75%		
&	OKC Feeder Steer	700-800 Lbs.	230.24	229.55	0.30%	198.92	15.74%		
	Beef Cutout	600-900 Choice	246.38	249.66	-1.31%	231.80	6.29%		
B	Hide/Offal	$/cwt live wt.	13.55	13.63	-0.59%	15.66	-13.47%		
E	Rib	Choice	355.48	367.05	-3.15%	362.04	-1.81%		
E	Round	Choice	214.33	212.28	0.97%	183.30	16.93%		
F	Chuck	Choice	198.90	195.43	1.78%	187.95	5.83%		
	Trimmings, 50%	Fresh	78.31	88.48	-11.49%	129.87	-39.70%		
	Trimmings, 90%	Fresh	293.05	297.50	-1.50%	245.16	19.53%		
H	FI Slaughter	Thou. Head	2128	2120	0.38%	1914	11.17%	51,080	6.10%
O	FI Sow Slaughter	Thou. Head	48.8	55.6	-12.16%	45.7	6.87%	1,201	3.10%
G	Avg. Dressed Weight	Lbs.	214	213	0.47%	215	-0.47%	214	-0.12%
S	Pork Production	Million Lbs.	453.7	451.2	0.55%	411.5	10.26%	10,938	5.93%
	Iowa-S. Minn. Direct	Avg.	78.50	80.14	-2.05%	115.33	-31.93%		
&	Natl. Base Carcass Price	Weighted Avg.	79.74	80.50	-0.94%	109.32	-27.06%		
	Natl. Net Carcass Price	Weighted Avg.	82.08	82.74	-0.80%	111.34	-26.28%		
P	Pork Cutout	200 Lbs	86.08	86.68	-0.69%	121.96	-29.42%		
O	Hams	Primal Cutout	59.08	60.75	-2.75%	115.10	-48.67%		
R	Loins	Primal Cutout	97.04	100.03	-2.99%	122.06	-20.50%		
K	Trimmings, 72% Lean	Fresh	74.49	74.86	-0.49%	129.52	-42.49%		
	Bellies	Primal Cutout	102.79	94.43	8.85%	159.19	-35.43%		
C	Young Chicken Slaughter*	Million Head	156.91	142.88	9.82%	155.49	0.92%	3,436	2.49%
H	Avg. Weight	Lbs., RTC	4.53	4.51	0.33%	4.40	2.88%	4.5	4.30%
I	Broiler Production	Million Lbs., RTC	710.7	645.1	10.18%	684.6	3.82%	15,852	6.77%
C	Eggs Set	Million	211.4	210.5	0.43%	206.1	2.57%	4,787	2.30%
K	Chicks Placed	Million Head	173.7	173.3	0.22%	167.9	3.44%	3,915	2.91%
E	National Composite Broiler	Composite	100.2	102.19	-1.90%	113.08	-11.40%		
N	Georgia Dock Broiler	2.5-3 Lbs.	114.88	114.49	0.30%	111.37	3.20%		
	Northeast Breast	Skinlss/Bonelss	148.38	153.6	-3.40%	196.91	-24.60%		
	Northeast Leg Quarters		29.55	30.51	-3.15%	48.91	-39.58%		
T	Young Turkey Slaughter*	Million Head	3.78	3.61	4.85%	4.57	-17.30%	90.5	0.81%
U	Avg. Weight	Lbs.	24.90	24.26	2.60%	24.37	2.17%	25.1	0.91%
R	Turkey Production	Million Lbs.	94.1	87.5	7.58%	111.4	-15.51%	2,270	1.73%
K	Eastern Region Hen	8-16 Lbs.	114.40	111.40	2.70%	110	4.00%		
F	Corn, Omaha	$ per Bushel	3.58	3.65	-1.92%	4.46	-19.64%		
E	DDGS, Minnesota	$ per ton	152.50	160.50	-4.98%	162.50	-6.15%		
E	Wheat, Kansas City	$ per Bushel	5.41	5.50	-1.64%	7.01	-22.82%		
D	Soybeans, S. Iowa	$ per Bushel	9.73	9.79	-0.61%	14.40	-32.50%		
	SB Meal, 48% Central Illinois	$ per Ton	328.40	316.20	3.86%	498.70	-34.10%		

* Chicken & turkey slaughter, production and prices are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier

Source: USDA Agricultural Marketing Service, various reports