CME Group
A CME/Chicago Board of Trade Company

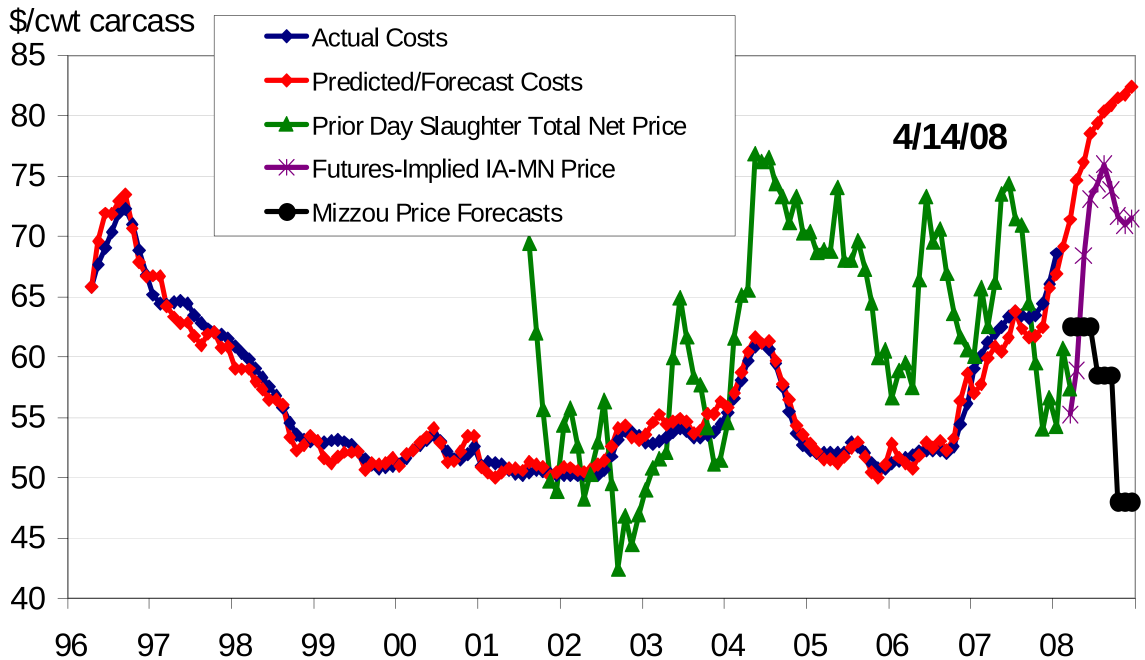
Daily Livestock Report

Volume 6, Number 71 **April 14, 2008**

E-Livestock Volume	4/14/08	4/11/08	4/7/08
LE (E-Live Cattle):	2,391	4,737	3,698
GF (E-Feeder Cattle):	164	638	519
HE (E-Lean Hogs):	7,418	6,801	7,579

Free real-time Globex quotes: www.cmegroup.com/elivestockquotes

ACTUAL & PREDICTED HOG PRODUCTION COSTS AND PRICES*



*Based on relationsip between ISU Estimated Costs & Returns data and historic Omaha corn and Decatur soybean meal prices

Please see page 2 for info about side-by-side grain and oilseed options!

This is obviously a judgment, but very sad days are upon the Canadian-U.S. livestock sector: The Winnipeg Free Press reported Friday that Canadian producers are planning to kill (euthanize seems to soft a word since there is nothing wrong with these animals) up to 25,000 healthy weanling pigs per week. The reason? Canadian producers cannot afford to feed them and U.S. producers, many of whom had contracted to buy the pigs for feeding in the U.S., are backing out of those contracts due to prices that may not even cover feed costs and, more ominous, the possibility that U.S. packers will not buy the pigs due to mandatory country-of-origin labeling. There were rumors of pigs being killed in 1998 but no one ever owned up to it or, to our knowledge, uncovered any truth to back up the rumors. This one seems to be a done deal. How did we get to this shameful point?

- Mandatory country-of-origin labeling was stuck into the 2002 Farm Bill. Though delayed twice and possibly tweaked by this year's Farm Bill, MCOOL will go into effect this fall and packers have long warned of the costs it will impose. More important, many of packers' retailer customers are telling them that they will buy only "Product of the USA" thus forcing packers to segregate product and duplicate skus (stock-keeping units) if they slaughter both U.S.-origin and Canadian-origin pigs. To reduce costs and simplify their operations, the packers are saying they will not buy Canadian-sourced pigs. That threat has U.S. feeders of Canadian-born pigs afraid that they will have no market for the pigs next fall and is driving them to allow contracts to expire or to even renege on their contractual obligations. In their defense, some of the packers are breaking marketing contracts which said they would buy the finished hogs. We have long-expected that packers would buy Canadian-origin pigs at some lower price and that may still turn out to be true. But that is not the scenario that is playing out at present and who can expect feeders to risk feeding high-priced feed to animals for which there may be no market?
- Feed prices continue to skyrocket. As can be seen in the graph at left, today's closing prices of CME Group Corn and Soybean Meal futures imply breakeven costs of over $80/cwt carcass by year's end. That is over $160/head with the weaned pig accounting for about $35 of that amount — it takes $120-$130 to get a pig from 10-lbs. to finished weight.
- Forecasted Q3 and Q4 cash hog prices will not likely generate enough income to cover even the non-pig costs! The black line on the graph at left represents quarterly forecasted prices from the University of Missouri. Mizzou's analysts are admittedly more bearish than some—but not by much. No forecasts that we have seen get even close to the level of CME Group Lean Hogs futures and few of them would cover the non-pig costs on these pigs. So, even if packers buy them, the lowest-loss scenario may well be to NOT feed them at all.

The obvious answer is to hedge them — but a hedge doesn't work very well if the cash price ends up to be zero and that appears to at least be a possibility. It looks as if those helpful government people have done it again!

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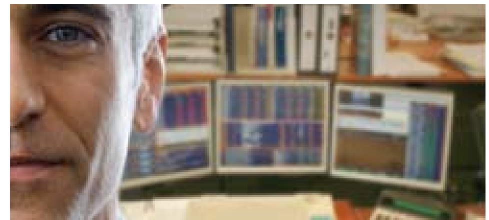
Introducing Grain and Oilseed side-by-side electronic options

Starting trade date April 14, 2008



Dedicated market makers. Millisecond response time. Market transparency. Greater efficiency.

CME Group Grain and Oilseed electronic options will trade side-by-side (9:30 a.m. to 1:15 p.m. Central Time) during the trading floor hours — increasing the opportunity for a world of market participants to reach the largest available liquidity pool.

Why trade options on the CME Globex platform?

- The most transparent marketplace for this instrument, online or off
- Request for Quote functionality
- Top bids and offers continually displayed on screen
- Dedicated market makers streaming continuous, live bid/offer quotes
- Automated bookkeeping delivers instantaneous clearing and account balances

The unmatched speed and efficiency of CME Globex

- Futures and options available on one platform
- More than 1,100 direct connections in 86 countries
- Millisecond response time
- Instantaneous fills and improved returns

Global benchmark products in U.S. dollar-denominated contracts

- Corn
- Wheat
- Soybeans
- Soybean Meal and Soybean Oil
- Oats and Rough Rice

Fairness, transparency and anonymity

The platform delivers a level playing field for all participants. Individual traders, small businesses and large institutions alike see and have access to the same prices. The platform protects the anonymity of traders and firms in all bids, offers and execution reports.

The security of CME Clearing

As the counterparty to every trade (more than one billion per year) CME Clearing settles accounts, clears trades, collects and maintains performance bonds/margins, regulates delivery and reports data.

CME Group is always your best option.

For more information, contact your broker directly or visit **www.cmegroup.com/sbsoptions.**

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