



# **Commodity Futures Trading Commission**

## **Agricultural Advisory Committee**

**Washington, DC**

**August 5, 2010**



# Market Reporting and Industry Trends

## Hog Market Observations

### Surveillance Perspective

#### OUTLINE

**CFTC-GIPSA-AMS-CME**

**Futures Contract Description and Cash-Futures Connection**

**Outliers and Transparency**

**Surveillance Perspective**

**Industry Trends**

**Concentration**



# USDA-AMS LM\_HG201 for July 30-31, 2010

LM\_HG201

Des Moines, Iowa

Mon, Aug 02, 2010

USDA Market News

NATIONAL DAILY DIRECT HOG PRIOR DAY REPORT - SLAUGHTERED SWINE

Slaughter Data for Friday, July 30, 2010 and Saturday, July 31, 2010

Barrows and Gilts (Live and Carcass Basis): 325,734

	NEGOTIATED	OTHER MARKET FORMULA	SWINE OR PORK MARKET FORMULA	OTHER PURCHASE ARRGMENT	TOTALS/ WTD AVG
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Producer Sold:					
HEAD COUNT	20,304	47,768	115,550	36,760	220,382
CARCASS BASE PRICE	81.55	73.72	81.65	77.14	79.09
AVERAGE NET PRICE	84.73	77.33	84.31	79.82	82.04
LOWEST NET LOT	74.75	57.32	72.52	67.33	64.18
HIGHEST NET LOT	93.49	90.35	91.35	89.66	90.42
AVERAGE LIVE WT	261.20	267.91	269.42	263.57	267.71
AVERAGE CARCASS WT	197.39	201.52	203.91	201.42	202.37
AVERAGE SORT LOSS	-1.26	-1.15	-1.16	-0.97	-1.13
AVERAGE BACKFAT	0.73	0.70	0.71	0.71	0.71
AVERAGE LOIN DEPTH (LD)	2.37	2.56	2.55	2.29	2.49
LOINEYE AREA (LD Converted)	7.11	7.68	7.66	6.87	7.48
AVERAGE LEAN PERCENT	53.98	55.05	54.96	54.23	54.76



# USDA-AMS LM\_HG212 for July 30, 2010

## Western Corn Belt Afternoon Report

LM\_HG212

Des Moines, Iowa

Fri, Jul 30, 2010

USDA Market News

WESTERN CORNBELT DAILY DIRECT AFTERNOON HOG REPORT BASED ON STATE OF ORIGIN  
 PLANT DELIVERED PURCHASE DATA FOR Friday, July 30, 2010 (As of 1:30 PM)

### CURRENT VOLUME BY PURCHASE TYPE BARROWS & GILTS LIVE AND CARCASS BASIS

	Estimated Today	Actual Today	Actual Week Ago	Actual Year Ago
Producer Sold				
Negotiated	7,909	6,330	7,357	7,303
Other Market Formula	35,994	19,420	32,143	6,160
Swine or Pork Market Formula	85,466	44,160	48,485	63,955
Other Purchase Arrangement	50,349	37,510	24,532	18,810
Packer Sold (all purchase types)	10,118	2,624	3,547	3,944

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 NEGOTIATED PURCHASE (Including Packer Sold)

Barrows & Gilts (carcass basis): 4,953

Compared to Prior Day's closing weighted average (LM\_HG208), 1.03 lower

Base Price Range \$75.00 - \$83.78, Weighted Average \$81.49

Base Price is the price from which no discounts are subtracted and no premiums are added.

# Hog Procurement and Pricing Methods



	2002	2005	2009
Producer Hogs	<b>80.5%</b>	<b>77.1%</b>	<b>69.0%</b>
<b>Hog or pork formula</b>	<b>43.4%</b>	<b>40.8%</b>	<b>43.5%</b>
Other market formula	9.3%	8.9%	6.9%
Other purchase arrangement	13.1%	16.4%	11.8%
<b>Negotiated</b>	<b>14.7%</b>	<b>11.0%</b>	<b>6.8%</b>
Packer Hogs	<b>19.5%</b>	<b>22.9%</b>	<b>31.0%</b>
Sold to another packer*	2.2%	2.5%	5.8%
Slaughtered by packer	17.3%	20.4%	25.2%

\*Includes negotiated hogs

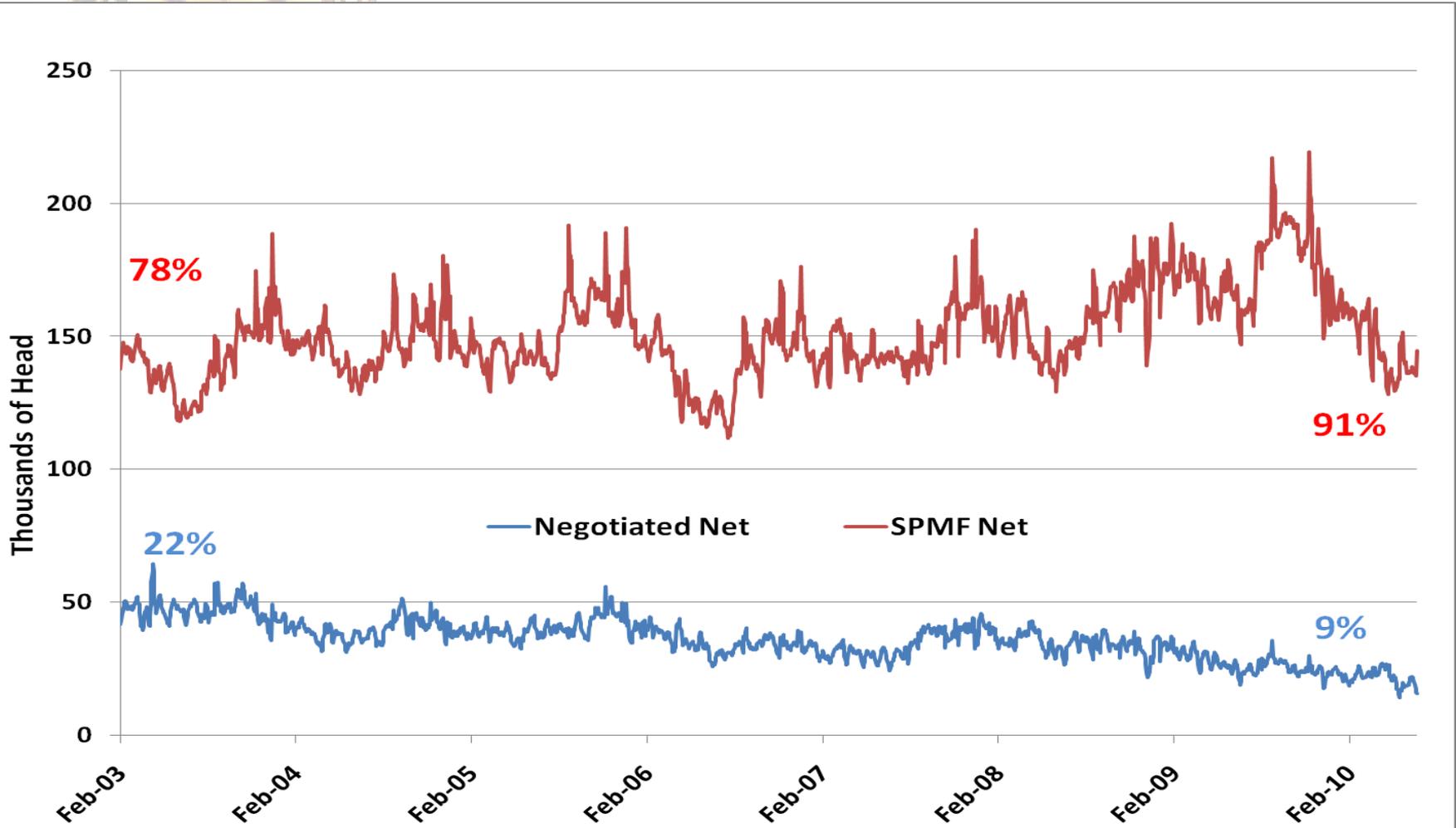
Source: USDA-AMS



# Components of the CME Lean Hog Index

## Negotiated and SPMF Head Count

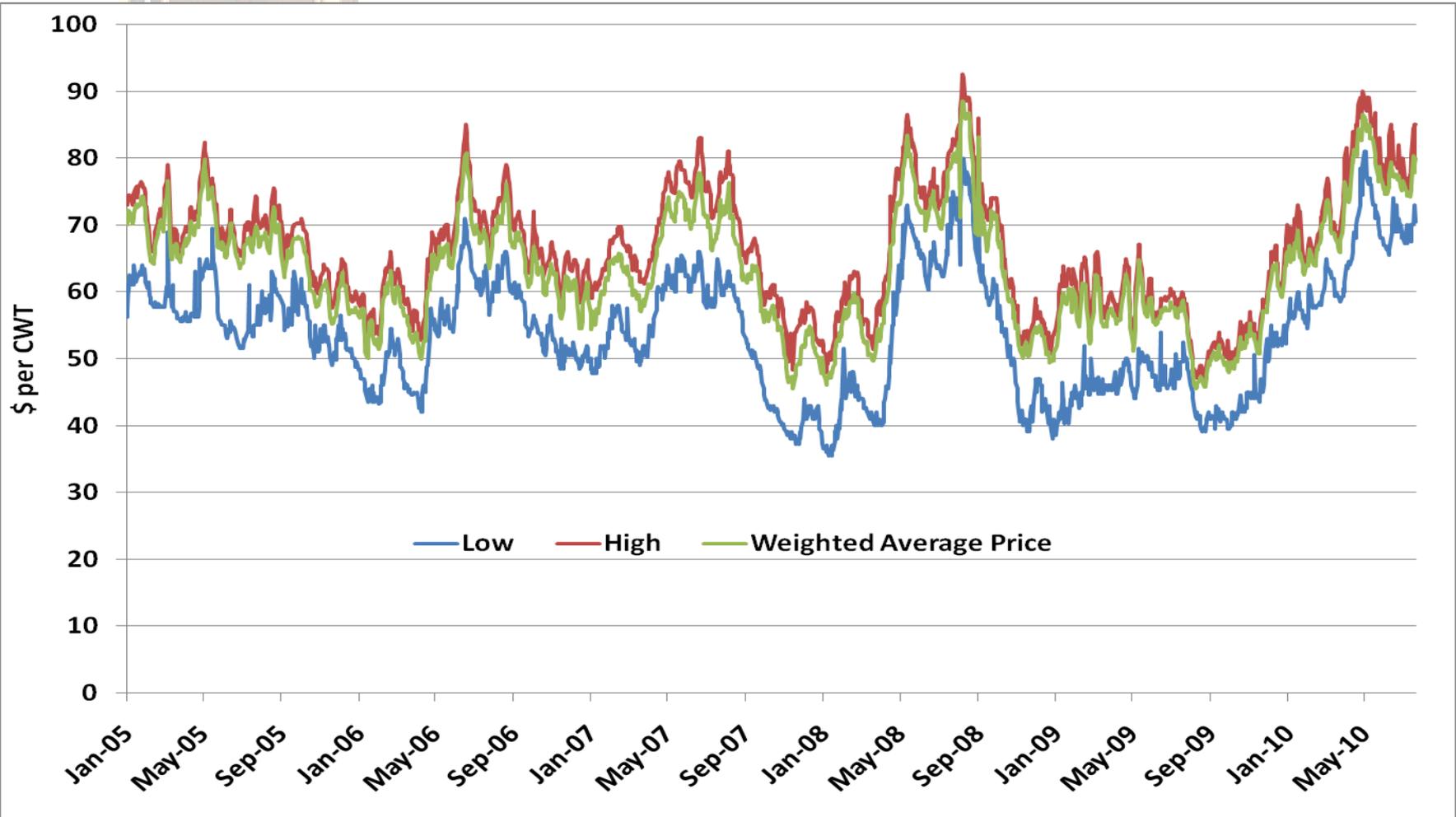
5 day moving average of daily head count per category



Source: CME/USDA



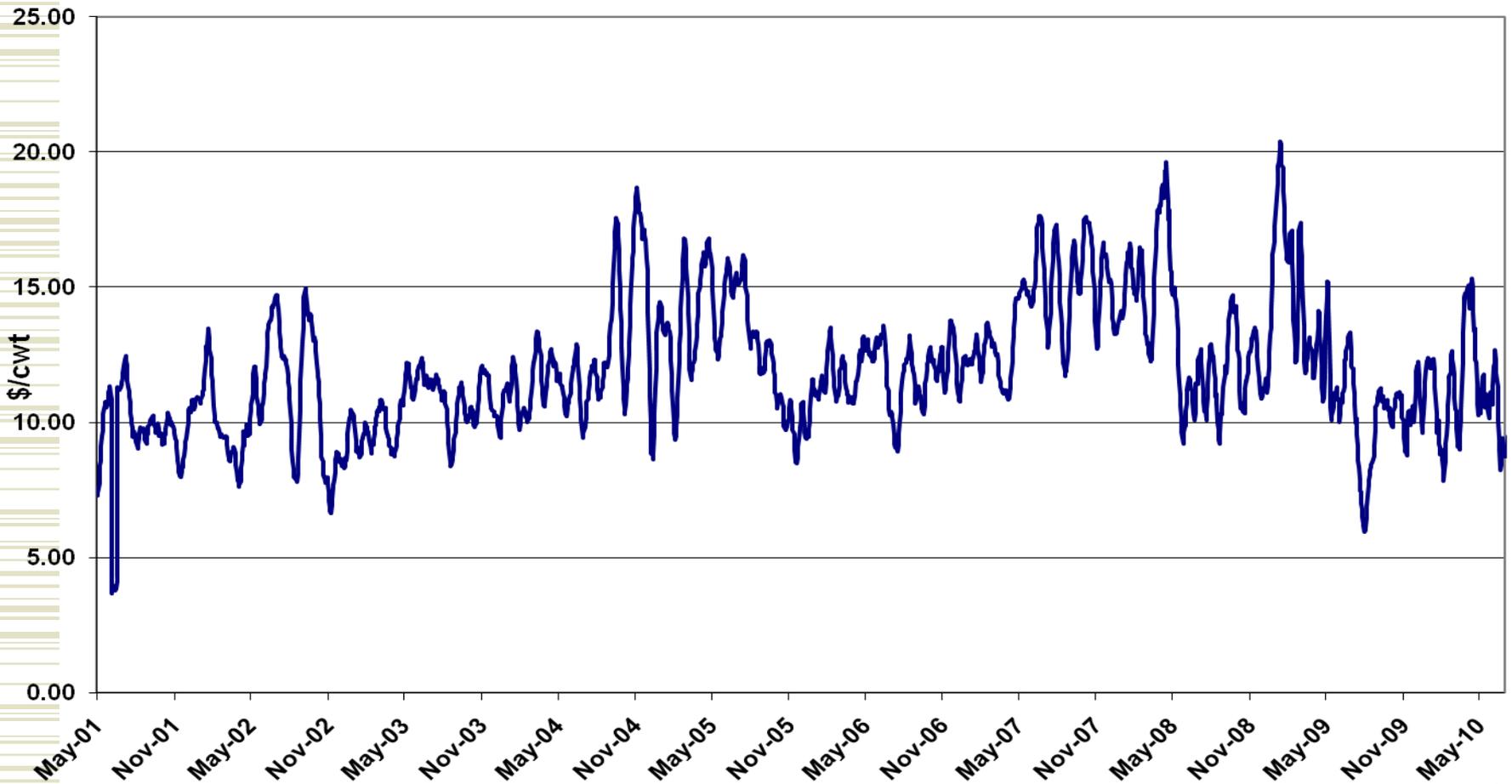
# Weighted Average Negotiated Base Price Range Western Corn Belt – 212 Report, carcass





# Weighted Average Negotiated Base Price Range

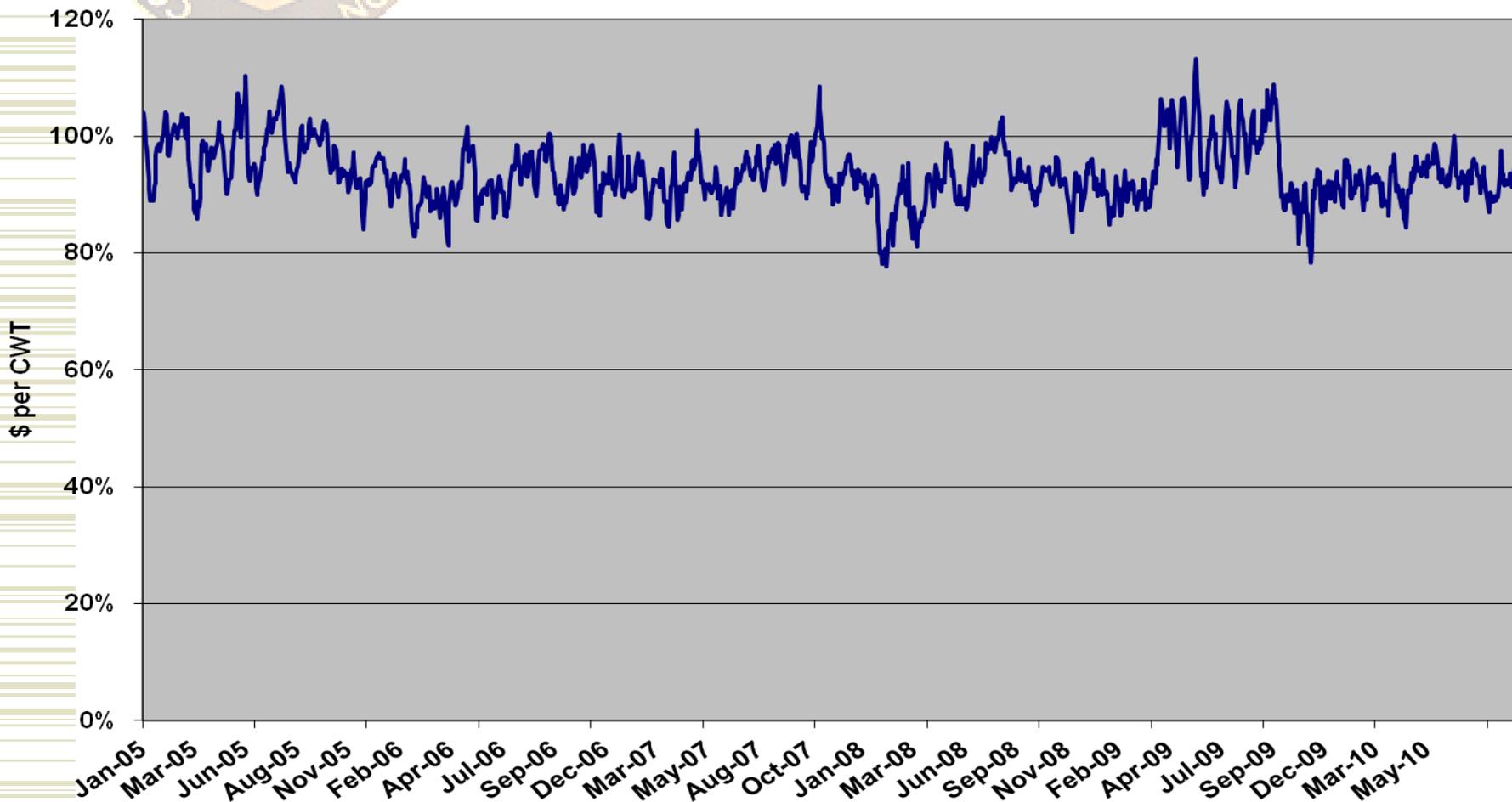
Western Corn Belt – 10 day moving average



Source: USDA AMS 208 Report



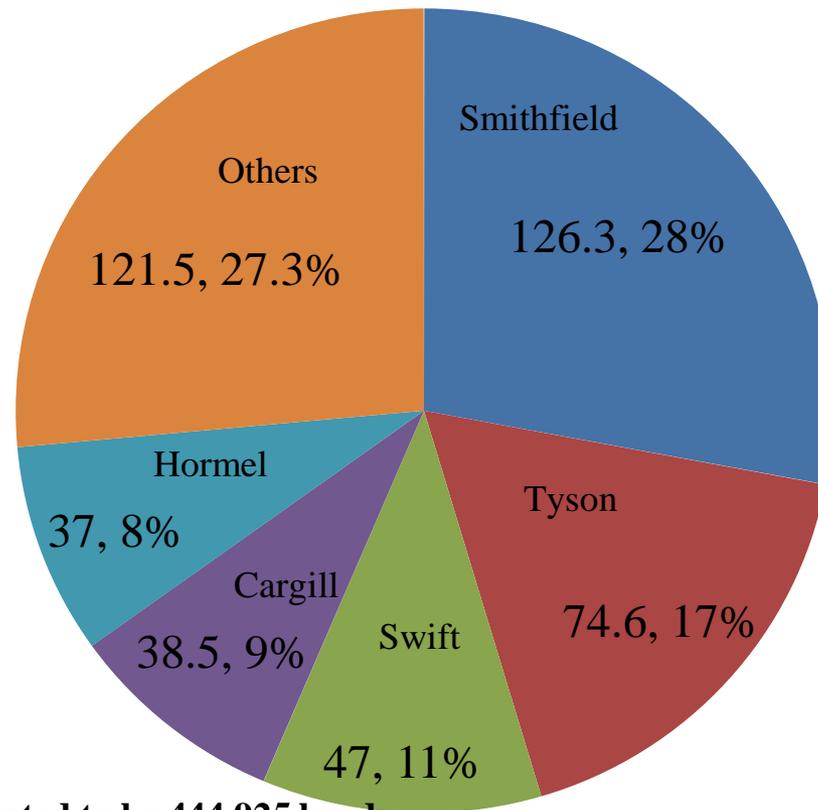
# Western Corn Belt Weighted Average Carcass Price As a Percentage of the Carcass Cutout



Source: USDA/AMS 500 and 208 Reports

# 2009 Daily Slaughter Capacity

000s of head

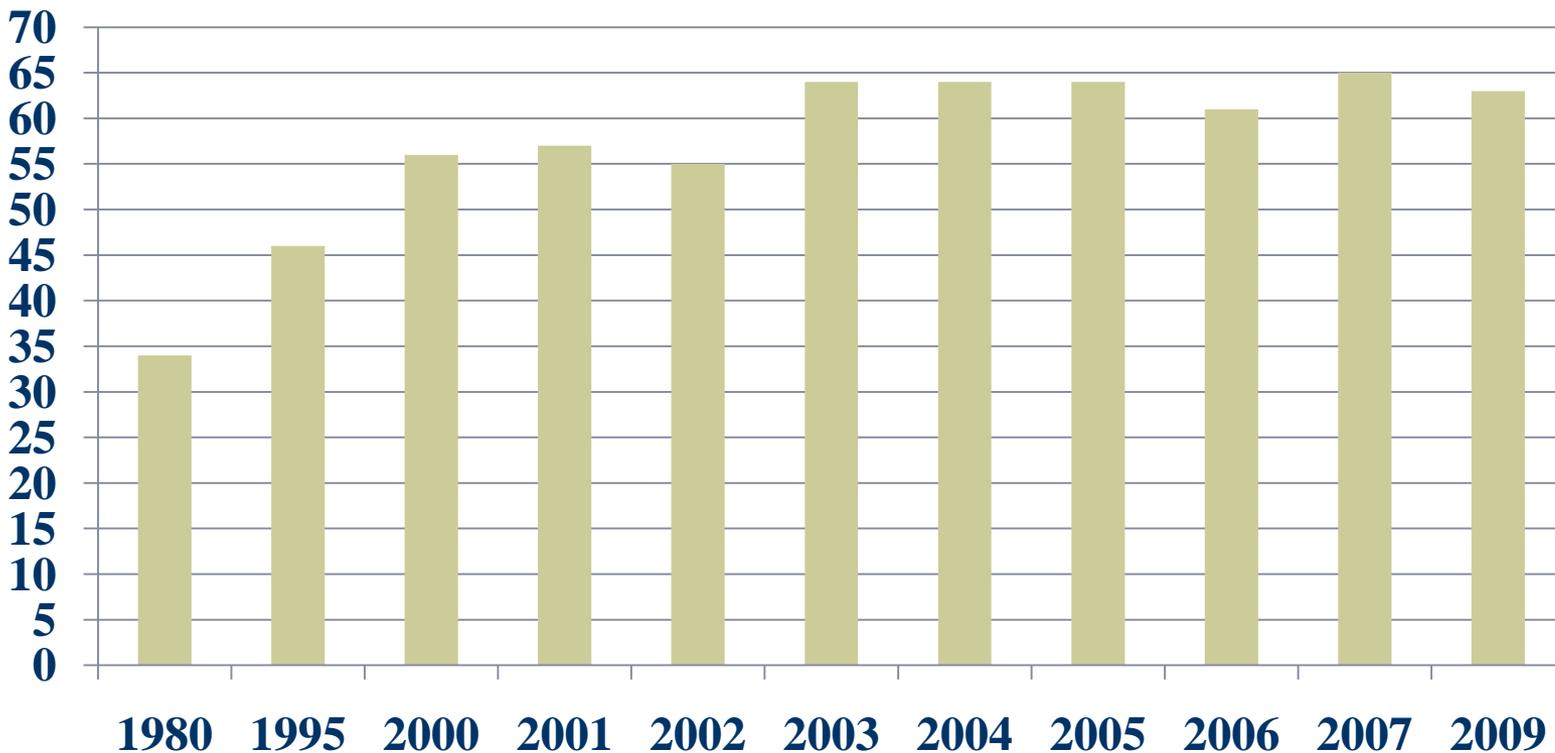


Total Daily Capacity estimated to be 444,925 head  
Source: Industry Survey



# Hog Slaughter Four-Firm Concentration (Est.)

Percentage of Total Hogs Slaughtered



Estimated from USDA data