



Agricultural Advisory Committee

CFTC Livestock Task Force

September 24, 2020

Disclaimer

The views expressed represent the views of the Livestock Task Force. The views expressed do not necessarily reflect the views of the Commodity Futures Trading Commission (“CFTC” or “Commission”), any of the Commissioners, the Division of Market Oversight, the Division of Enforcement, the Office of Legislative and Intergovernmental Affairs or other staff at the Commission.

Consistent with Section 8(a) of the CEA, we do not include any data or information that would separately disclose the business transactions or market positions of any person or trade secrets or names of customers.

While every effort has been made to ensure accuracy, the report includes assumptions and data interpretations.

Overview of the CFTC Livestock Task Force

In April 2020, Chairman Tarbert created and announced the CFTC Livestock Task Force.

The task force is staffed by economists and analysts from the CFTC's Division of Market Oversight, Division of Enforcement, and by the Office of Legislative and Intergovernmental Affairs.

To ensure our markets are working for American agriculture during these challenging times, the task force monitored activity around major market moving events, and engaged experts, regulators, federal agencies, and market participants.

COVID-19 Impact on Agricultural Markets

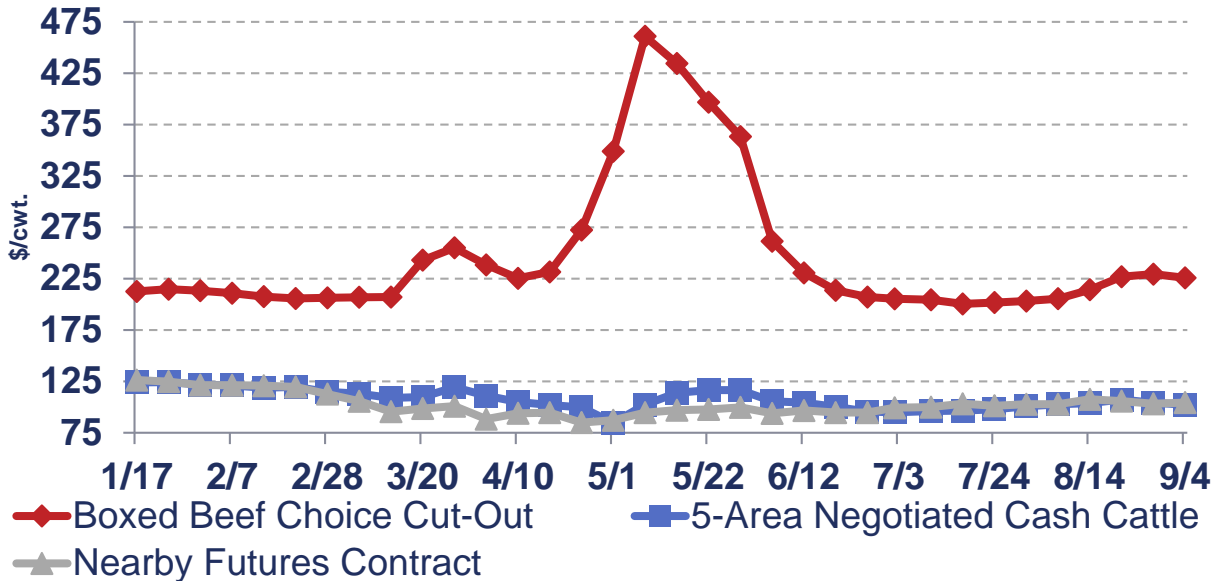
U.S. agriculture suffered extensive impacts due to COVID-19, especially Live Cattle, Feeder Cattle and Lean Hogs futures and cash markets. This was the result of a confluence of factors, including:

- Supply/demand imbalances
- Supply chain disruptions
- U.S. – China trade deal

Government direct payments helped to cushion a historic bearish six month period for agriculture.

Cattle (Cash & Futures) and Boxed Beef Prices (Weekly)

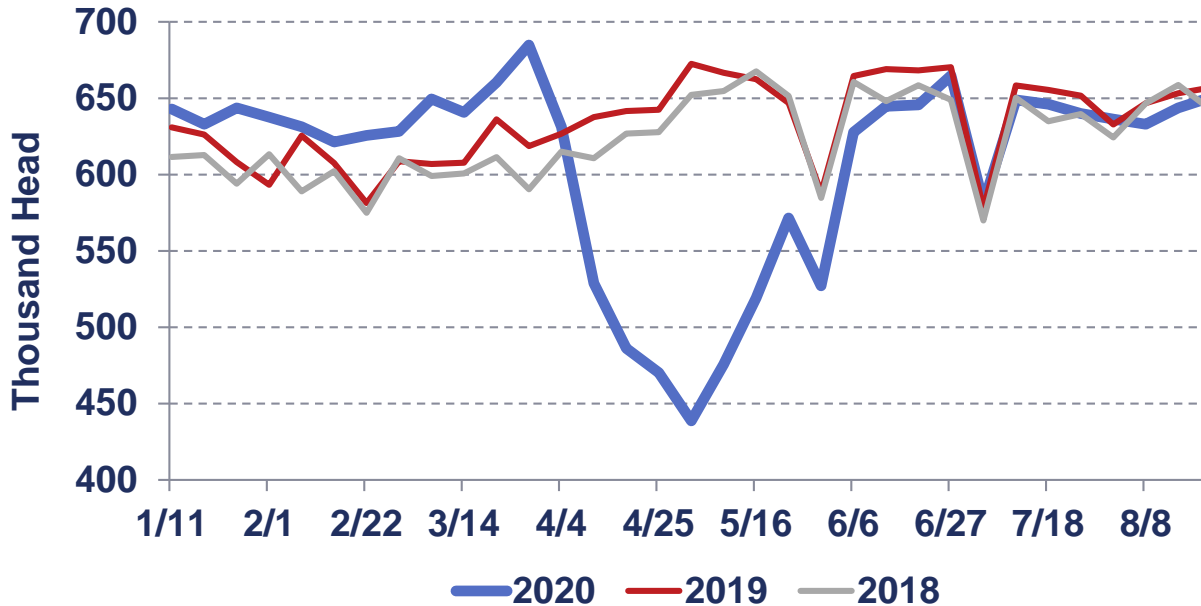
Boxed beef prices more than doubled (the week of May 8), hitting an all-time record of \$475 cwt.



Cattle cash and futures prices dropped, stabilized and then recovered slowly.

U.S. Cattle Slaughter (Weekly)

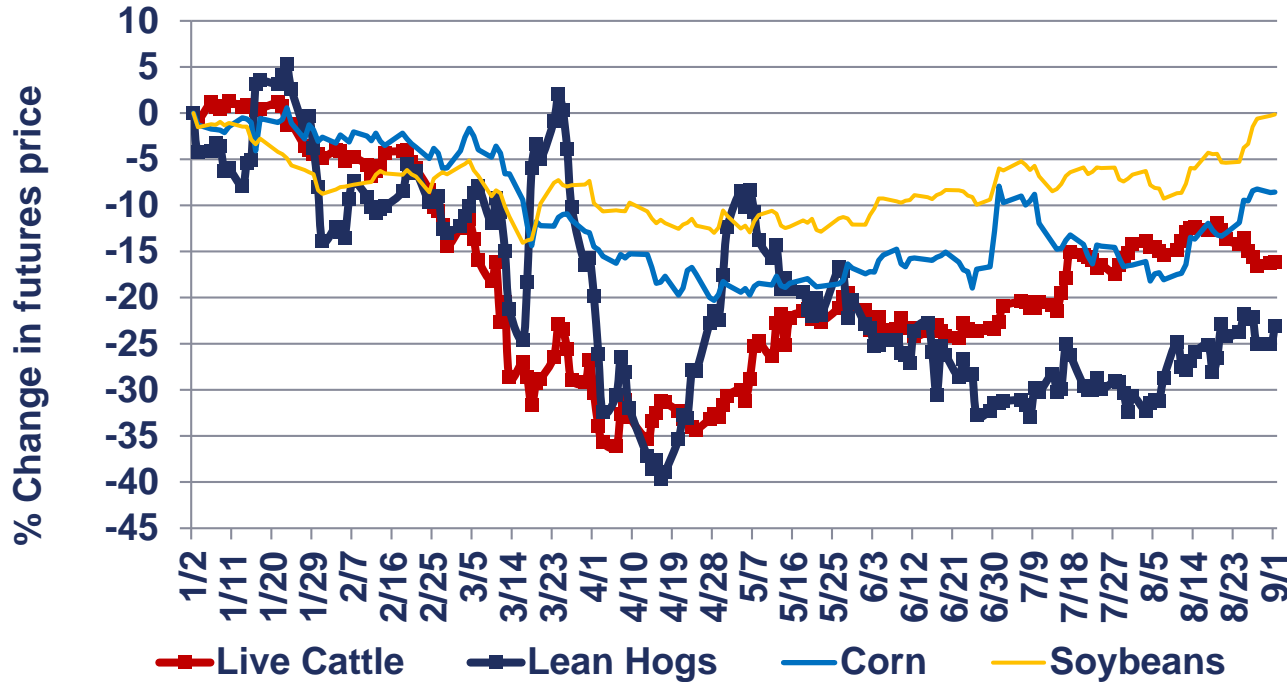
COVID-19 closed packing plants. Beef processing capacity fell by 35-40%. Packer demand for cattle fell sharply.



Slaughter numbers for cattle increased by almost 45% since the Spring lows.

Percent Change in Ag Futures Prices Since January 2, 2020

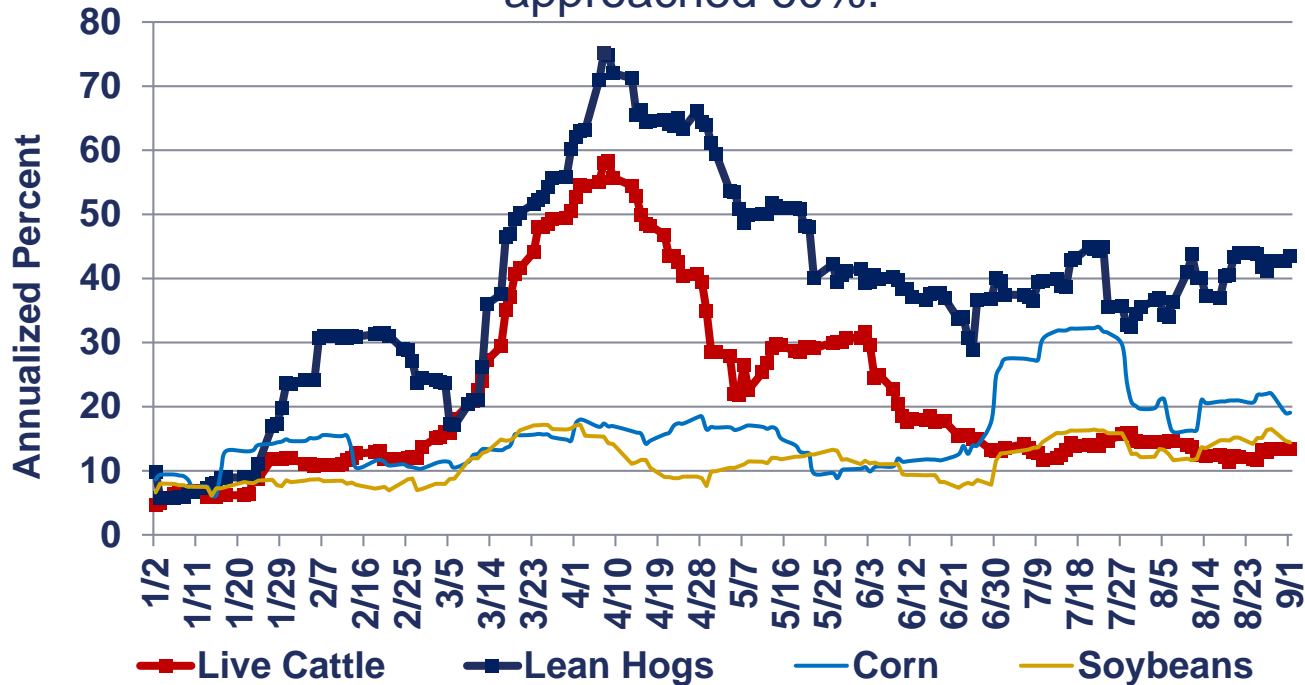
Lean Hog futures fell by 40%. Live Cattle futures hit 10 year low.



Livestock prices up from April lows, but still down 15-23% from January prices.

Historical Volatility

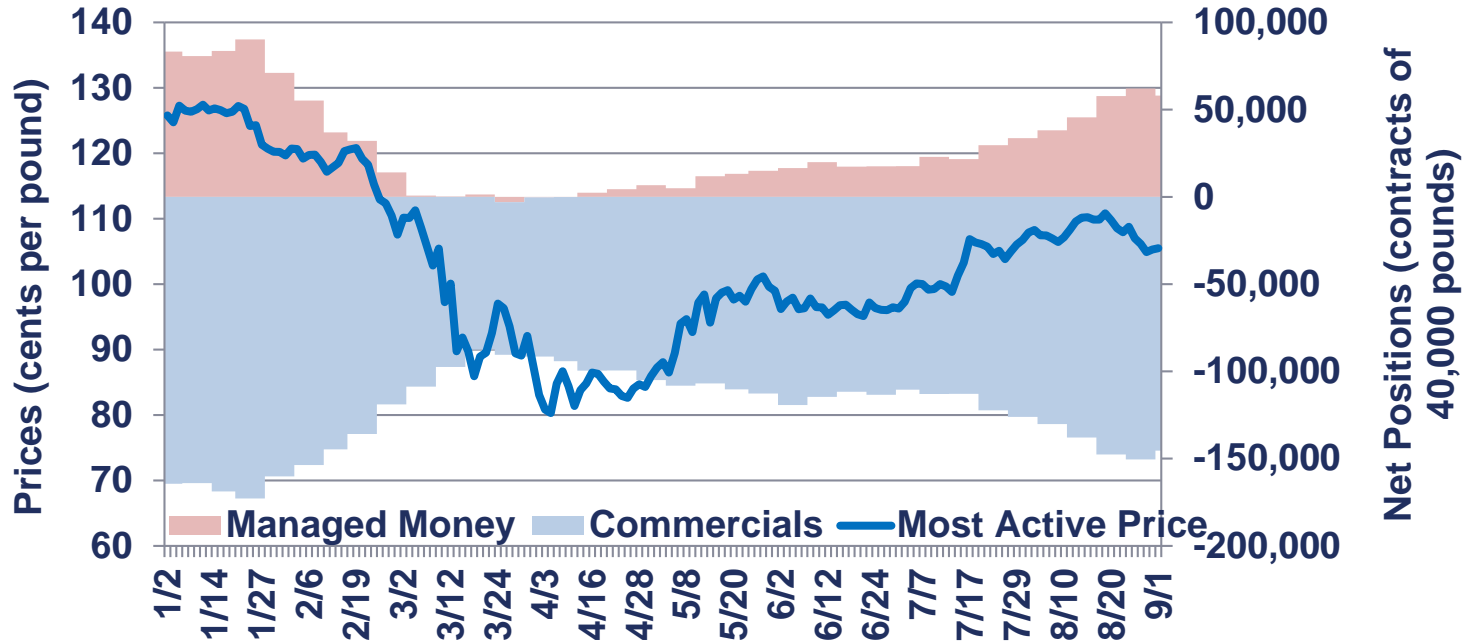
Lean Hog futures volatility exceeded 70%. Live Cattle futures approached 60%.



Volatility subsided since April peak, but remains elevated relative to January.

CME Live Cattle Futures & Options Market Composition & Price

As prices declined, Managed Money traders reduced net long positions and Commercials reduced net short positions.



Managed money sold when prices fell, bought when prices rose prices rose.

Summary of CFTC Livestock Task Force Activities

- Enhanced surveillance of Livestock expirations
- Provided frequent updates on internal analysis with Commissioners
- Shared insights with other government agencies
- Supported enforcement activity

QUESTIONS