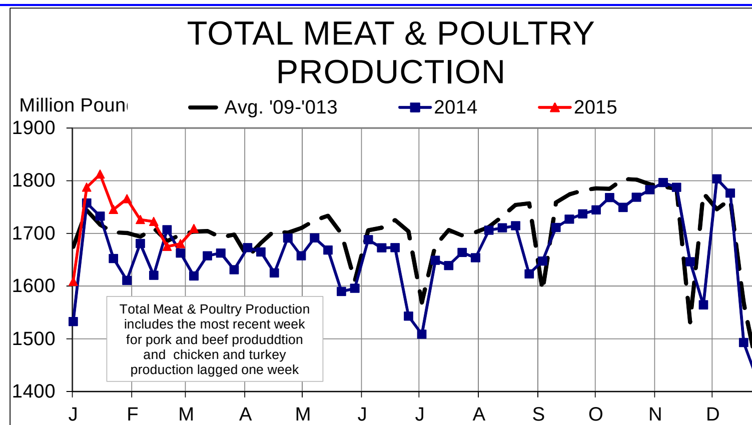
Daily Livestock Report

Sponsored by CME Group

Vol. 13, No. 54, March 16, 2015

After two weeks near year-ago levels, total meat and poultry output jumped significantly higher last week, gaining 1.7 percent on the week prior. Total output amounted to 1.709 billion pounds, 5.6 percent more than last year. Note that our weekly calculation includes last week's USDA estimates for beef and pork output and the prior week's totals for chicken and turkey since those data run one week in arrears relative to the red meats. Total meat and poultry production has been larger than one year ago in nine of the 2015's ten weeks to date. Separate charts for beef, pork and chicken appear on page 2. Some highlights for the individual species are:

- <u>FI cattle slaughter numbered 524,000 head last week, 2.4% lower than the prior week and 8.7% lower than one year ago.</u> Weights continued to offset part of the decline in numbers with average dressed weights estimated to be 819 pounds. That was one pound lower than the prior week but 24 pounds (3%) higher than a year ago. The combination of slaughter and weights put estimated beef production at 428.2 million pounds, down 2.5% from the previous week and <u>5.9% lower than one year ago.</u> Year-to-date beef output is now 4.6% smaller than last year.
- <u>The week's average Choice cutout value fell a short 1% to $246.69.</u> That is still 2.4% higher than one year ago. The Select cutout averaged $245.12 last week, just $0.67/cwt lower than last week and still 3.5% higher than one year ago. These cutouts have remained strong in the face of much lower-priced competition from pork and relatively lower priced chicken — suggesting beef demand remains strong.
- <u>Fed cattle prices remained well above year-ago levels.</u> Live cattle (5-market average) traded at $160.78 for the week, down fractionally from the week before but still 7.2% higher than last year. Dressed prices were slightly higher for the week and nearly 8% higher than last year.
- <u>Pork production continued to charge FAR, FAR AHEAD or last year's pace.</u> Last week's year-on-year gain was completely driven by slaughter which, at 2.227 million head was up slightly from the week before <u>and 10% larger than one year ago!</u> In a year of large slaughter increases, that is the largest one yet. The size of the year-on-year gain is significantly impacted by the fact that one year ago last week was when we first saw the impact of producers' delaying marketings to a) take advantage of rapidly rising prices and b) attempt to backfill PEDv losses by producing more pork per head.
- <u>The average slaughter weight for all hogs was steady with the previous week and just 1 pound higher than last year.</u> A more important measure of hog weight — in our opinion — is the average weight of barrows and gilts reported under the mandatory price reporting (MPR) system. That system covers packers that handle about 95% of the total supply of these "top" market hogs. The figure excludes the influence of cull breeding stock and "off" hogs (ie. pigs that, for whatever reason, do not perform well and are slaughtered at less-than-optimal weights). The MPR barrow and gilt weight thus reflects the supply position of the most important subset of U.S. market hogs. Those weights have been falling rapidly and did so again last week, dropping 0.5 pound to 212.6. That is 3.8 pounds lower than the first full week of this year. The decline represents a huge effort to get more current in marketings and <u>the lower weights will now begin to represent a significant year-on-year REDUCTION in pork supplies since they will be compared to year-ago weights which were rising due to the aforementioned delays in marketings.</u>



Source: Paragon Economics, Inc, based on data from USDA Agricultural Marketing Service

- <u>The average weekly pork cutout value declined once again with last week's figure down $1/cwt at $68.15.</u> This marks the seventh straight week in which the average cutout value has been lower and last week's value is over $51/cwt (43%) lower than one year ago.
- <u>Hog prices continued to struggle with national carcass-weight prices falling by roughly 2.5%.</u> The national base price averaged $66.80 while the national net price (which includes merit-based premiums) averaged $68.74 for the week. Those are both just over 35% lower than one year ago. To get a complete picture of the impact of these lower prices: An average hog was worth $227.03 one year ago. Last week it was worth $147.79 — nearly $80 less!
- <u>After two weeks of year-on-year lower output, chicken production surged higher last week, gaining 6% week-on-week and 11.5% versus one year ago.</u> Bird weights continue to be the big driver of the surge in chicken output with the average of 4.56 pounds adding 8.3% to output relative to last year! Egg sets and chick placements are still larger than one year ago suggesting more increases are on the way.
- <u>Our computed broiler cutout value gained over $1/cwt. last week to reach $74.21.</u> That value has held up remarkably well in the face of higher broiler production but will almost certainly begin to lag year-ago levels soon. That, of course, is more due to last year's surge in chicken values which road the coattails of pork prices to their own record highs.

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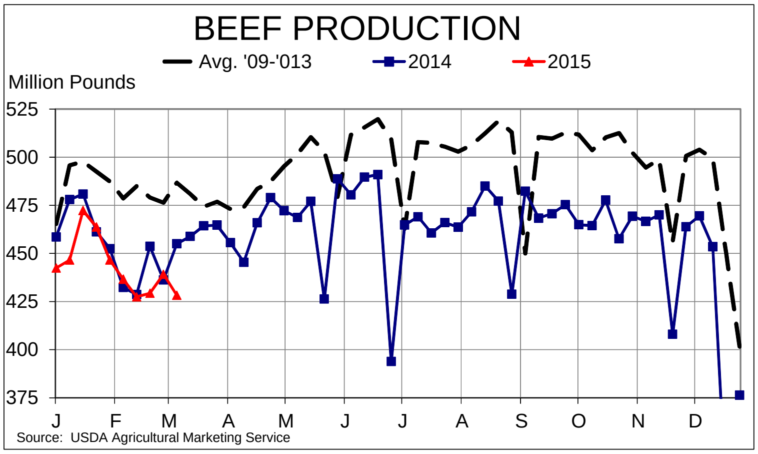

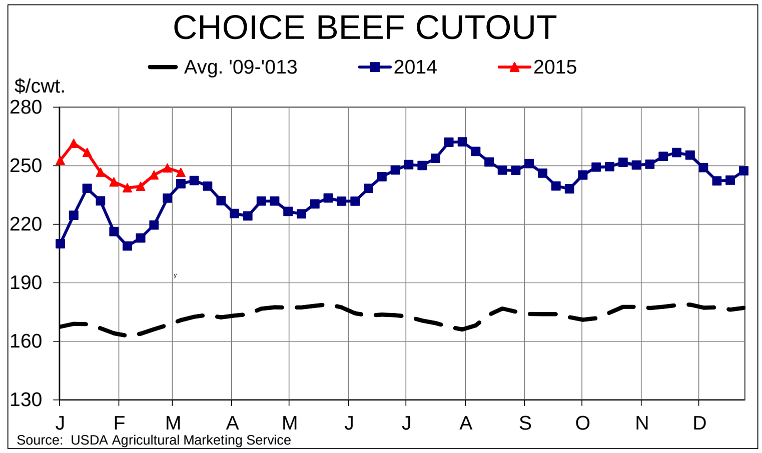

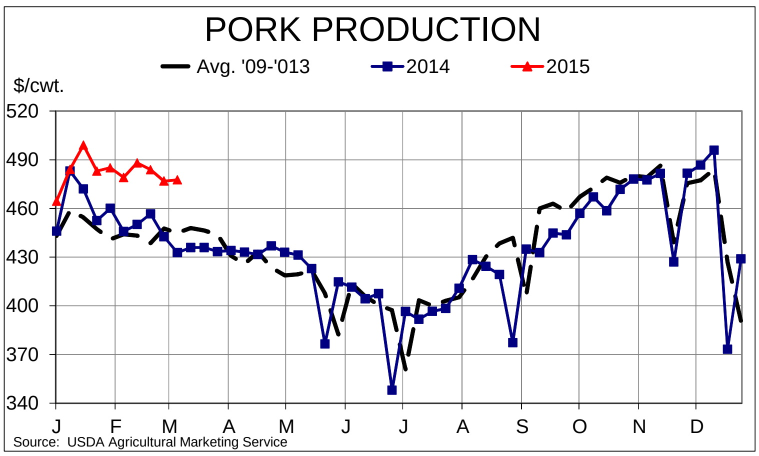

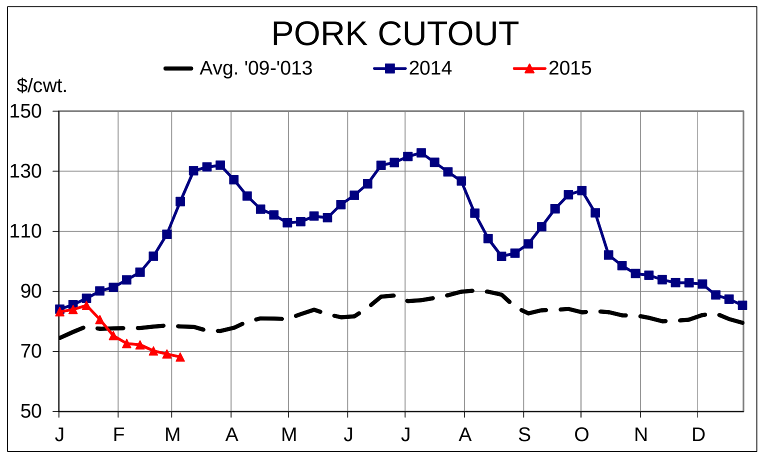

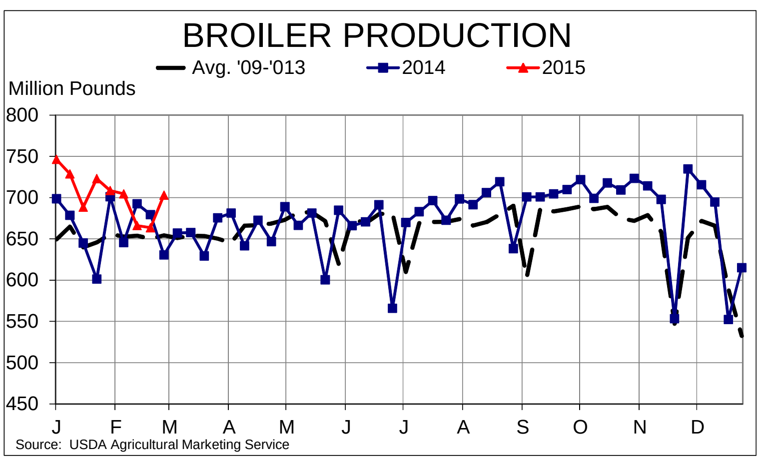

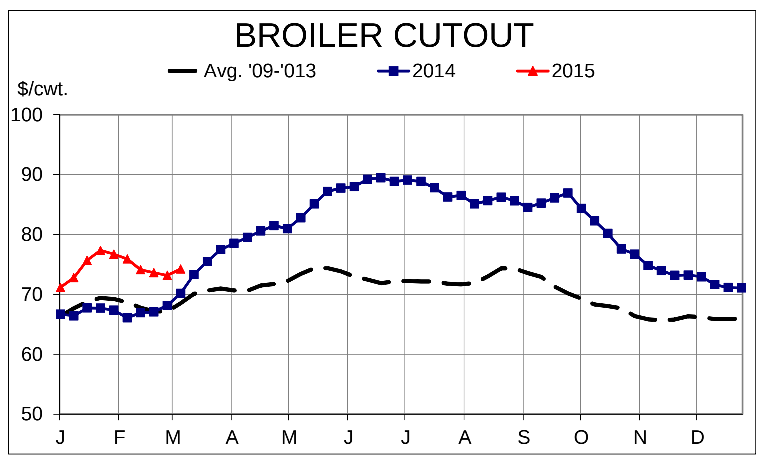

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PRODUCTION AND PRICE SUMMARY

Week Ending 3/14/15

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	Total Meat & Poultry Prod.	**Million lbs.**	**1708.7**	**1680.1**	**1.70%**	**1618.9**	**5.55%**	**16,940**	**2.35%**
C	FI Slaughter	Thou. Head	524	537	-2.42%	574	-8.69%	5,572	-6.60%
A	FI Cow Slaughter	Thou. Head	102.8	101.7	1.14%	116.9	-12.03%	963	-5.93%
T	Avg. Live Weight	Lbs.	1349	1359	-0.74%	1322	2.04%	1,360	1.92%
T	Avg. Dressed Weight	Lbs.	819	820	-0.12%	795	3.02%	819	2.15%
L	Beef Production	Million Lbs.	428.2	439.1	-2.48%	455	-5.89%	4,550	-4.60%
E	Live Fed Steer	$/cwt live wt.	160.78	161.07	-0.20%	149.95	7.22%		
	Dressed Steer	$/cwt carcass	259.09	257.17	0.75%	240.22	7.86%		
&	OKC Feeder Steer	700-800 Lbs.	213.80	203.08	5.28%	174.13	22.79%		
	Beef Cutout	600-900 Choice	246.59	248.91	-0.93%	240.72	2.44%		
B	Hide/Offal	$/cwt live wt.	14.46	14.26	1.40%	15.68	-7.78%		
E	Rib	Choice	355.08	353.02	0.58%	315.82	12.43%		
E	Round	Choice	225.07	227.38	-1.02%	228.50	-1.50%		
F	Chuck	Choice	210.62	214.63	-1.87%	209.02	0.77%		
	Trimmings, 50%	Fresh	88.48	89.63	-1.28%	159.08	-44.38%		
	Trimmings, 90%	Fresh	294.45	292.53	0.66%	258.41	13.95%		
H	FI Slaughter	Thou. Head	2227	2222	0.23%	2024	10.04%	23,165	3.03%
O	FI Sow Slaughter	Thou. Head	56.8	54.1	4.96%	53.6	6.03%	489	2.68%
G	Avg. Dressed Weight	Lbs.	215	215	0.00%	214	0.47%	215	0.85%
S	Pork Production	Million Lbs.	477.6	476.9	0.15%	432.8	10.35%	4,982	3.91%
	Iowa-S. Minn. Direct	Avg.	62.44	65.12	-4.12%	112.08	-44.29%		
&	Natl. Base Carcass Price	Weighted Avg.	66.80	68.58	-2.60%	103.61	-35.53%		
	Natl. Net Carcass Price	Weighted Avg.	68.74	70.49	-2.48%	106.09	-35.21%		
P	Pork Cutout	200 Lbs	68.31	69.15	-1.21%	119.86	-43.01%		
O	Hams	Primal Cutout	52.76	55.51	-4.95%	94.63	-44.25%		
R	Loins	Primal Cutout	82.39	81.91	0.59%	133.61	-38.34%		
K	Trimmings, 72% Lean	Fresh	39.42	40.28	-2.14%	116.99	-66.30%		
	Bellies	Primal Cutout	70.95	71.41	-0.64%	170.39	-58.36%		
C	Young Chicken Slaughter*	Million Head	154.20	145.75	5.79%	149.81	2.93%	1,398	2.16%
H	Avg. Weight	Lbs., RTC	4.56	4.55	0.16%	4.21	8.32%	4.5	4.10%
I	Broiler Production	Million Lbs., RTC	703.0	663.5	5.97%	630.6	11.49%	6,459	6.04%
C	Eggs Set	Million	205.1	207.0	-0.92%	202.8	1.12%	2,064	2.96%
K	Chicks Placed	Million Head	170.3	168.6	1.06%	163.4	4.24%	1,691	3.48%
E	National Composite Broiler	Composite	98.28	96.47	1.90%	106.67	-7.90%		
N	Georgia Dock Broiler	2.5-3 Lbs.	113.7	112.92	0.70%	105.47	7.80%		
	Northeast Breast	Skinlss/Bonelss	137.16	135.46	1.30%	140.51	-2.40%		
	Northeast Leg Quarters		37.54	36.72	2.23%	43.40	-13.50%		
T	Young Turkey Slaughter*	Million Head	4.00	3.94	1.65%	3.91	2.43%	37.2	4.27%
U	Avg. Weight	Lbs.	24.95	25.55	-2.35%	25.71	-2.95%	25.3	0.08%
R	Turkey Production	Million Lbs.	99.9	100.6	-0.74%	100.5	-0.60%	950	5.93%
K	Eastern Region Hen	8-16 Lbs.	100.44	102.50	-2.00%	100.44	0.00%		
F	Corn, Omaha	$ per Bushel	3.83	3.84	-0.13%	4.58	-16.38%		
E	DDGS, Minnesota	$ per ton	165.00	161.50	2.17%	245.00	-32.65%		
E	Wheat, Kansas City	$ per Bushel	5.44	5.27	3.23%	7.52	-27.66%		
D	Soybeans, S. Iowa	$ per Bushel	10.00	9.94	0.60%	14.10	-29.10%		
	SB Meal, 48% Central Illinois	$ per Ton	363.10	362.70	0.11%	479.40	-24.30%		

* 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