Daily Livestock Report

Sponsored by CME Group

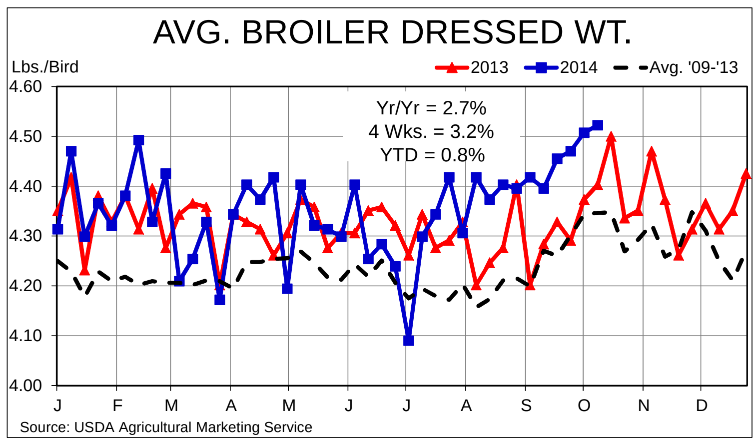
Vol. 12, No. 202 / October 20, 2014

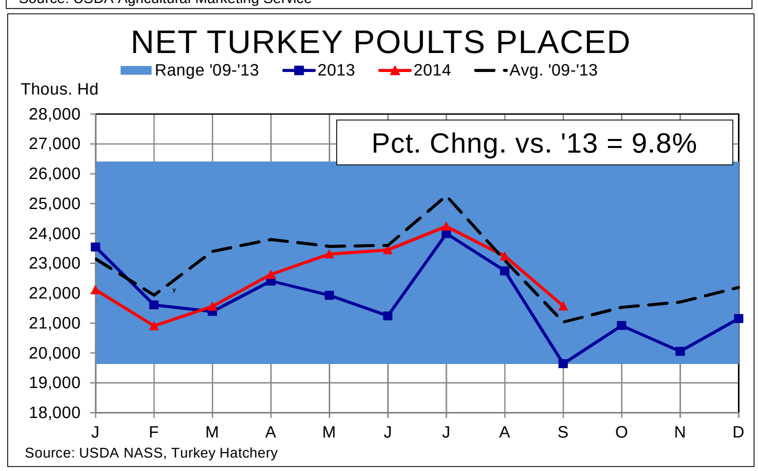
Cattle slaughter continued to lag far behind year-ago levels last week with only 565,000 head moving through plants, 8.8% fewer than one year ago. That continued a patter of large reductions that has been in place since July. We wouldn't argue with anyone who said that really applies to the entire year but the shortfalls did get larger in July. Cow slaughter for the week ending October 3 was only 99,300 head, 14.6% lower than last year and 22% lower than the 5-year average of 126,700 head! Those, of course, are the operative numbers from a cow beef supply perspective and a clear reason that trimmings and end meats continue to be well supported. Using average cow slaughter weights, these imply cow beef production 12.5% lower than last year bringing the YTD change for cow beef output to –13.1%. The BEEF cow slaughter numbers are even more shocking, we think, in that they were 17.5% lower than one year ago and are down 20.2% from last year over the past four weeks. This number is more important when we think about future beef supplies as it is indicates that beef cows are indeed being retained at a very high rate, increasing the potential for a larger calf crop next spring. Dairy cow slaughter is also lower given record-high milk prices but the year-on-year decline there is a mere 10.7%. Cattle prices were virtually unchanged for the week. The Choice cutout gained $4.000 or 1.6% to get very near $250/cwt. once again.

FI hog slaughter of 2.180 million head was up 2% from last week — not surprising for this time of year— but remained 4.8% lower than last year's 2.290 million head. The week's run was 1.4% lower than our forecast level of 2.210 million head. The forecast is based on the market herd inventories of the September Hogs and Pigs report. Average hog weights continue to be record-large for this time of year but are not growing nearly as quickly as they were one year ago when lower-priced feed was allowing producers to profitably add more pounds to their market hogs. The year-on-year increase in the average weight of all market hogs was just 1.9% last week. <u>That's the smallest year-on-year weight increase since the week of October 10, 2013 — one year and one week ago!</u> Producer-sold barrows and gilts averaged 213.5 pounds last week, just over 7 pounds or 3.5% more than one year ago. But those increases are the smallest since March. We certainly do not expect weights to fall below year-ago levels any time soon but the amount of slaughter shortfall for which they are compensating is getting smaller and smaller. Hog prices were 1 to 4% lower, pressured by a 6% decline in the pork cutout value — a decline we have been expecting give the size and unusual timing of this recent rally.

The numbers in the Percent Change column for chicken in our weekly Production and Price Summary table continue to be positive and noticeably larger than earlier this year. That statement is especially true of egg sets and chick placements which were up 3.7% and 3.0%, respectively, versus one year ago last week. While slaughter levels are still hardly higher than last year, production was 3.8% higher the week of October 10, pushed primarily by the average weight of broilers. We believe the sharp increases in average weights are VERY SIGNIFICANT indicators of the beginning expansion of the broiler sector. Remember that this is, in general, two sectors — big boning birds and small parts birds. There are some birds with weights between those extremes but most fall into one camp or the other. The average could be increased by growing both types but the recent history is that the average increases when the proportion of big birds increases — and that is the sector that most observers expect to grow. We think the recent increase in average weights indicates that the boning bird sector is finally growing in response to lower costs and higher profits. We expect the growth to accelerate with today's even lower feed costs..

Which brings us to turkey. This business struggled mightily in the wake of the 2012 crop. As can be seen below, poult (ie. turkey chick) placements were the lowest of the last 5 years for every month from March 2013 through February 2014. They have increased markedly since then and exceeded year-ago levels by 10.4% in June and nearly 10% last month. Wholesale turkey prices have been EXCELLENT this year and turkey producers are responding, especially with costs lower as well. Turkey accounts for 15.4 pounds of per capita consumption this year. That figure peaked at 17.7 pounds in 2007 and 2008. Total per capita meat and poultry consumption is expected to 201.2 pound this year, down from a peak of 221.7 in 2007.





Vol. 12, No. 202 / October 20, 2014

PRODUCTION AND PRICE SUMMARY

Week Ending 10/18/14

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	Total Meat & Poultry Prod.	**Million lbs.**	**1763.5**	**1736.4**	**1.56%**	**1773.5**	**-0.56%**	**69,199**	**-2.16%**
C	FI Slaughter	Thou. Head	565	562	0.53%	619	-8.77%	23,950	-7.16%
A	FI Cow Slaughter	Thou. Head	99.3	99.8	-0.42%	116.3	-14.59%	4,126	-14.06%
T	Avg. Live Weight	Lbs.	1359	1358	0.07%	1320	2.95%	1,326	1.12%
T	Avg. Dressed Weight	Lbs.	822	821	0.12%	804	2.24%	803	1.11%
L	Beef Production	Million Lbs.	463.6	460.2	0.74%	497.7	-6.85%	19,203	-6.08%
E	Live Fed Steer	$/cwt live wt.	163.74	163.82	0.00%	NQ	#VALUE!		
	Dressed Steer	$/cwt carcass	257.75	257.78	-0.01%	NQ	#VALUE!		
&	OKC Feeder Steer	700-800 Lbs.	245.78	248.20	-0.98%	#N/A	#N/A		
	Beef Cutout	600-900 Choice	249.26	245.26	1.63%	196.16	27.07%		
B	Hide/Offal	$/cwt live wt.	16.35	16.36	-0.06%	13.76	18.82%		
E	Rib	Choice	347.33	344.52	0.82%	309.42	12.25%		
E	Round	Choice	237.25	233.15	1.76%	171.67	38.20%		
F	Chuck	Choice	227.76	221.85	2.66%	165.83	37.35%		
	Trimmings, 50%	Fresh	110.98	105.81	4.89%	NQ	#VALUE!		
	Trimmings, 90%	Fresh	295.34	294.80	0.18%	NQ	#VALUE!		
H	FI Slaughter	Thou. Head	2180	2136	2.06%	2290	-4.80%	83,299	-5.36%
O	FI Sow Slaughter	Thou. Head	57.4	56.4	1.69%	57.0	0.70%	2,103	-5.92%
G	Avg. Dressed Weight	Lbs.	213	212	0.47%	209	1.91%	214	3.82%
S	Pork Production	Million Lbs.	463.5	453.6	2.18%	477.6	-2.95%	17,805	-1.73%
	Iowa-S. Minn. Direct	Avg.	103.50	107.95	-4.12%	90.78	14.01%		
&	Natl. Base Carcass Price	Weighted Avg.	104.76	105.93	-1.10%	87.59	19.60%		
	Natl. Net Carcass Price	Weighted Avg.	106.67	108.03	-1.26%	90.01	18.51%		
P	Pork Cutout	200 Lbs	116.10	123.56	-6.04%	95.09	22.09%		
O	Hams	Primal Cutout	126.41	136.68	-7.51%	85.16	48.44%		
R	Loins	Primal Cutout	124.31	133.78	-7.08%	97.74	27.18%		
K	Trimmings, 72% Lean	Fresh	101.57	113.58	-10.57%	NQ	#VALUE!		
	Bellies	Primal Cutout	116.12	124.79	-6.95%	138.15	-15.95%		
C	Young Chicken Slaughter*	Million Head	159.60	157.47	1.35%	157.96	1.04%	6,298	-0.38%
H	Avg. Weight	Lbs., RTC	4.52	4.51	0.33%	4.40	2.71%	4.4	0.77%
I	Broiler Production	Million Lbs., RTC	721.7	709.7	1.69%	695.5	3.77%	27,967	0.40%
C	Eggs Set	Million	198.5	195.5	1.54%	191.4	3.74%	8,311	1.37%
K	Chicks Placed	Million Head	162.4	164.1	-1.07%	157.7	2.98%	6,804	0.13%
E	National Composite Broiler	Composite	107.63	108.18	-0.50%	91.11	18.10%		
N	Georgia Dock Broiler	2.5-3 Lbs.	113.02	112.79	0.20%	104.91	7.70%		
	Northeast Breast	Skinlss/Bonelss	173.07	184.16	-6.00%	133.46	29.70%		
	Northeast Leg Quarters		46.07	46.55	-1.03%	48.48	-4.97%		
T	Young Turkey Slaughter*	Million Head	4.39	4.54	-3.19%	4.17	5.30%	171.5	-2.48%
U	Avg. Weight	Lbs.	26.10	24.86	4.95%	24.61	6.04%	24.6	0.55%
R	Turkey Production	Million Lbs.	114.7	112.9	1.60%	102.7	11.66%	4,224	-1.86%
K	Eastern Region Hen	8-16 Lbs.	115.50	119.00	-2.90%	104.98	10.00%		
F	Corn, Omaha	$ per Bushel	3.09	2.94	5.10%	4.44	-30.33%		
E	DDGS, Minnesota	$ per ton	95.00	97.50	-2.56%	#N/A	#N/A		
E	Wheat, Kansas City	$ per Bushel	5.84	5.60	4.29%	7.69	-24.06%		
D	Soybeans, S. Iowa	$ per Bushel	9.69	9.47	2.32%	12.78	-24.20%		
	SB Meal, 48% Central Illinois	$ per Ton	373.10	364.50	2.36%	432.40	-13.70%		

* 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