

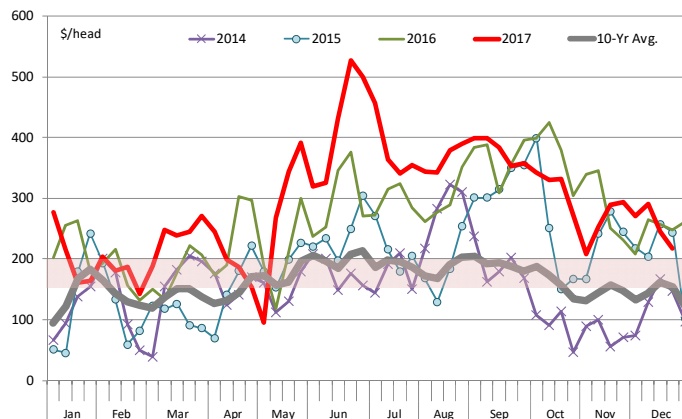
Packers and retails will work with a short week and, in the near term, this should be supportive of wholesale product values.

Retailers will look to replenish the meat case, which is now being emptied of holiday items. Gone are the ribs roasts, turkeys and hams and we should see improved demand for beef end cuts (chucks, rounds), ground beef, pork loins and pork picnics/butts. Beef and pork retail feature activity was not as strong as in previous year's at the end of the year and retail features normally are not that great at the start of the year. It is uncertain at this time how the extreme cold impacting some of the country will affect consumer eating patterns. Anecdotal evidence would suggest that retail business should receive a boost but this will be offset by weaker sales at foodservice. Pork tends to rely more on retail than beef, so the shift towards more retail sales could arguably benefit the pork market more. The challenge for the pork market is that supplies continue to expand and the increase in hog numbers will be further enhanced by heavier carcass weights. Current forecasts are for hog slaughter to be up around 2% while hog weights are running 1.5% higher than last year. It will be interesting to see how wholesale prices perform this week and what this does to packer bids in the second half of January.

The two attached charts paint a somewhat different picture of packer margins at the start of the year. Beef packer margins for the most part are compressed early in the year, a function in part of cold weather effects on cattle. Beef packer margins were excellent in 2017 and there is broad expectation that margins will remain quite solid in 2018 as well. But usually Q1 margins are weak and it appears this year will be no different. After all beef demand is in good shape and cattle supplies will continue to increase, which should drive demand for beef packing services. In the last two weeks beef packer margins have been squeezed and we think for the last week of the year the margin was pretty close to breakeven. If the choice beef cutout remains in the \$205 area, then packers could pay \$120 for cattle and stay near breakeven, if not make a little money. The margins for hog packers often start the year very strong. Holiday shortened weeks tend to delay hog margins and there is a big need at the start of the year to clear the marketing backlog. Cold weather does not take as much of a toll on hogs, which are indoors, as it does on cattle. On the product side, packers also struggle with the post holiday slump in demand for hams. In this situation, the onus is on producers to offer the packer a big enough margin in order to keep the flow of hogs moving. The backlog issue tends to be resolved fairly quickly and we should see a more normalized market for hogs in the second half of January. Then the challenge is pork demand, both from domestic and export channels. Futures are currently pricing a fairly

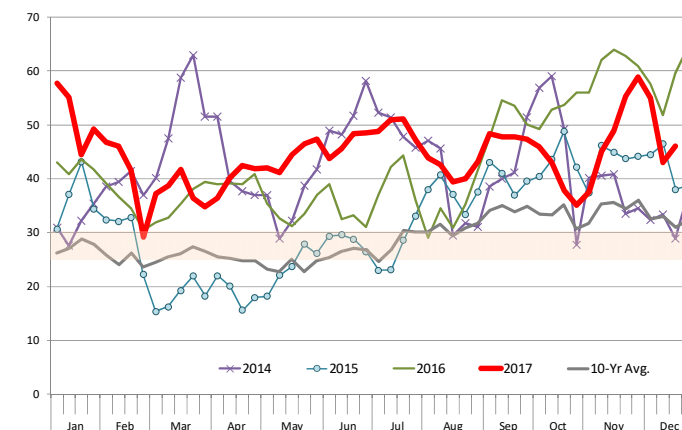
BEEF PACKER CALCULATED GROSS MARGIN. \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices

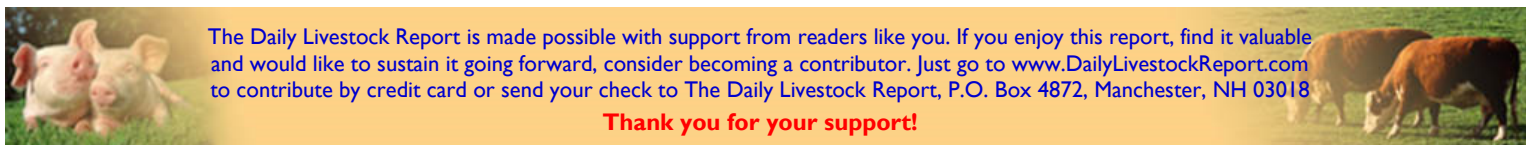


PORK PACKER CALCULATED GROSS MARGIN. \$/HEAD

Calculated Using the Weekly Pork Cutout Value, Number of Head Processed, and Drop Credit Value. Data Source: USDA, Steiner & LMIC Drop Credit



positive demand outlook for pork this winter and early spring. Last year we saw a significant boost to the pork cutout and demand for hogs, into February. Much of this was due to the spike in pork belly prices. Ham prices have been very weak recently and we are seeing more product traded in the spot market. Mexico business continues to be solid and current low ham values should continue to encourage export sales. Disease pressures are an issue for hogs during winter and some reports show an increase in both PRRS and PEDv cases. Still the situation is similar to what we have seen in the last two years and does not present any special concerns for now.



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **12/30/2017**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		30-Dec-17	23-Dec-17		31-Dec-16			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,720	1,909	-9.89%	1,654	4.00%	95,111	2.3%
FI Slaughter	Thou. Head	502	612	-17.97%	516	-2.62%	31,705	5.3%
C FI Cow Slaughter **	Thou. Head	118	124	-4.94%	116	1.54%	5,566	4.9%
T Avg. Dressed Weight	Lbs.	836	837	-0.12%	833	0.36%	816	-1.4%
T Beef Production	Million Lbs.	418.6	510.9	-18.07%	428.7	-2.36%	25,856	3.8%
L Live Fed Steer Price	\$ per cwt	120.00	119.97	0.03%	117.44	2.18%		
E Dressed Fed Steer Price	\$ per cwt	192.00	190.32	0.88%	188.86	1.66%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	154.17	N/A	N/A	N/A		
& Choice Beef Cutout	\$ per cwt	202.35	200.14	1.10%	201.79	0.28%		
Hide/Offal	\$ per cwt, live wt	10.65	10.58	0.66%	11.81	-9.82%		
B Rib Primal, Choice	\$ per cwt	308.65	332.28	-7.11%	308.65	0.00%		
E Round Primal, Choice	\$ per cwt	172.17	167.32	2.90%	185.49	-7.18%		
E Chuck Primal, Choice	\$ per cwt	174.87	164.54	6.28%	179.30	-2.47%		
F Trimmings, 50%	\$ per cwt	57.78	51.68	11.80%	39.07	47.89%		
Trimmings, 90%	\$ per cwt	210.84	210.95	-0.05%	194.50	8.40%		
FI Slaughter	Thou. Head	2,107	2,460	-14.35%	2,068	1.89%	120,494	2.7%
FI Sow Slaughter **	Thou. Head	64.9	63.5	2.23%	60.6	7.10%	2,853	0.9%
H Avg. Dressed Weight	Lbs.	215.0	214.0	0.47%	212.0	1.42%	211	0.0%
O Pork Production	Million Lbs.	451.6	526.9	-14.29%	438	3.11%	25,437	2.6%
G Iowa-S. Minn. Base	Wtd. Avg.	57.33	55.48	3.33%	52.02	10.21%		
S Natl. Base Carcass Price	Wtd. Avg.	62.13	61.92	0.34%	57.93	7.25%		
Natl. Net Carcass Price	Wtd. Avg.	63.91	63.88	0.05%	60.12	6.30%		
Pork Cutout	205 Lbs.	77.44	76.62	1.07%	81.79	-5.32%		
Ham Primal	\$ per cwt	55.86	55.27	1.07%	72.80	-23.27%		
Loin Primal	\$ per cwt	74.78	73.30	2.02%	78.76	-5.05%		
Belly Primal	\$ per cwt	109.07	108.16	0.84%	114.64	-4.86%		
Trimmings, 72%, Fresh	\$ per cwt	60.06	60.19	-0.22%	57.21	4.98%		
Hog By-Product Value	\$ per cwt, live wt	3.86	3.91	-1.28%	3.90	-1.03%		
C Young Chicken Slaughter *	Million Head	160.1	163.0	-1.79%	149.9	6.78%	8,232	1.5%
H Avg. Weight (RTC)	Lbs.	4.68	4.70	-0.32%	4.65	0.65%	6.14	0.0%
I Young Chicken Production (RTC)	Million Lbs.	749.5	765.6	-2.11%	697.3	7.48%	38,444	1.5%
C Eggs Set (19-state)	Million	218.4	219.2	-0.34%	210.6	3.74%	10,878	2.7%
K Chicks Placed (19-state)	Million Head	178.2	175.1	1.80%	172.4	3.37%	8,834	1.7%
E National Composite Whole Bird	Composite	89.80	87.42	2.72%	85.39	5.16%		
Northeast Breast, B/S	\$/cwt	105.81	103.73	2.01%	98.49	7.43%		
Northeast Leg Quarters	\$/cwt	36.46	35.47	2.79%	32.59	11.87%		
T Total Turkey Slaughter *	Million Head	3.867	4.084	-5.31%	3.374	14.61%	213,504	-1.7%
U Avg. Weight (RTC)	Lbs.	25.94	25.78	0.63%	26.63	-2.58%	31.39	1.9%
R Turkey Production (RTC)	Million Lbs.	100.3	105.3	-4.72%	89.9	11.65%	5,375	0.0%
K National Hen (8-12 lb)	8-16 Lbs.	79.00	80.41	-1.75%	103.00	-23.30%		
G Corn, Omaha	\$ per Bushel	3.28	3.26	0.61%	3.24	1.23%		
R Distillers Grain, Chicago	\$ per Ton	132.50	135.00	-1.85%	NQ	N/A		
A Wheat, Kansas City (deliv.)	\$ per Bushel	4.10	4.05	1.23%	3.52	16.48%		
I Soybeans, Cntrl IL	\$ per Bushel	9.36	9.38	-0.21%	10.02	-6.59%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	309.30	309.70	-0.13%	322.30	-4.03%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

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