

It has once again been our honor to have you read and support our letter most every working day in 2018. We do not take the investment of your time lightly and hope you consider it well spent — and will do so again in 2019!

**May you have a Healthy and Prosperous New Year!**

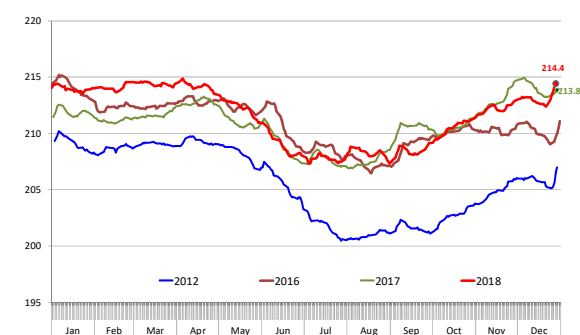
**There has been little movement to resolve the impasse over the full funding of the federal government.**

In our report on December 28 we outlined how this will affect the quality and quantity of information available to market participants. Their decision making ability relies, in part, on the availability and accuracy of the information available. For instance, one of the more important reports that helps inform expectations for the remainder of the year is the semi-annual cattle inventory report, which is currently scheduled to go out at the end of the month. While the release date is still a few weeks away, the survey work that makes that report possible needs to happen right now. **Without the January 1 supply benchmark, market participants will be left guessing as to the supply of cattle in and outside feedlots, the size of the breeding herd and the number of calves that were produced in 2018.** The ability of futures markets to price cattle for the remainder of the year will be seriously impacted the longer this situation continues. We cannot help but chuckle when we read comments that the government has been shut down and people have not really felt any change. It's a bit like the story of that train moving along at 100 miles per hour. Sure, you can remove one of the locomotives and for a little while you may not notice the difference. But eventually gravity will assert itself. So with markets. They may continue to function for a bit even as the quantity and quality of information deteriorates. Eventually, those with more resources will be able to access information not available to everyone else and the one that loses is the small producer that is left guessing.

**We will do our best to provide you with data and information based on what's available.** For instance, USDA is no longer providing statistics on the weight of cattle and hogs coming to market. Market participants pay close attention to this information because a) it is a key input for computing meat supplies and b) it offers insights as to the currentness of livestock coming to market. However, the Mandatory Price Reporting system has been deemed as an essential function and thus continues to provide information. In the case of hogs, we can use the daily data available through one of the reports (201) and calculate the average weight of barrows and gilts coming to market. The top chart to the right shows that for the five business days ending December 28, the average dressed carcass weight of producer owned barrows and gilts was 214.4 pounds, a jump of 2 pounds per head compared to the previous week and above year ago levels. The fed cattle weight information is not available but we can get a sense of the direction in fed cattle weights from the weekly USDA comprehensive cutout report, which is produced by AMS. The second chart to the right shows the official dressed weight for fed cattle based on the report that is now suspended (data from NASS). It appears that fed cattle weights were down in the last two weeks of December, reflecting the impact of winter storms on feedlot cattle. As for weekly beef and pork exports, that data is not available. The only thing we have to get a sense of what's going on is the weekly export sales information that is reported by packers into the MPR system. This information only reflects export sales and is quite limited in scope.

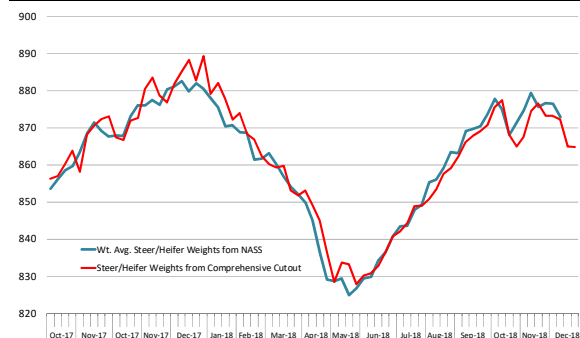
**Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs**

Based on Daily MPR Report, LHM\_HG201. Data through Dec 28, 2018



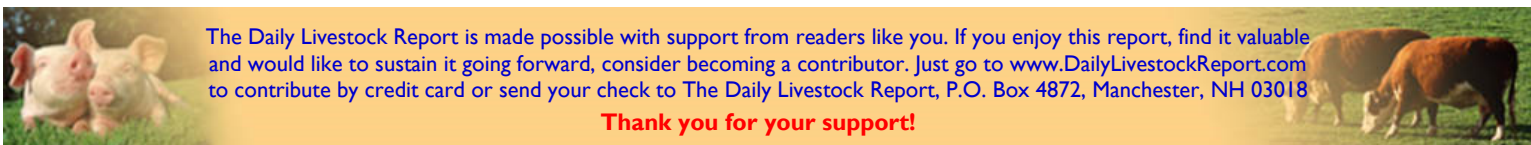
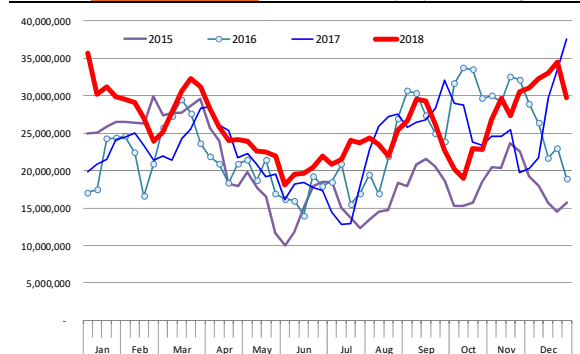
**S/H Weights Derived from USDA/NASS Data vs. S/H Weights from USDA Comprehensive Cattle Report**

Data source: USDA-AMS. Calculations by Steiner Consulting



**Weekly MPR Pork Export Sales Volume, 4-week Moving Avg. - TOTAL**

Based on MPR. Does not include NAFTA Sales. Data Source: USDA. Analysis by Steiner Consulting



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