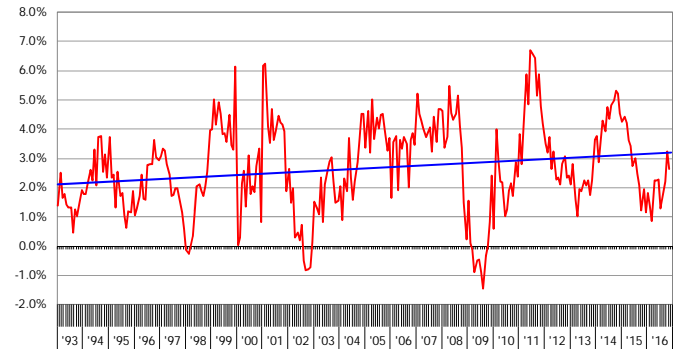


As we noted in our last report, demand will be a critical factor for meat prices in the new year and recent trends generally paint a positive picture. Some of the positives worth noting: disposable incomes are increasing at or slightly above the long run trend; the economy is approaching full employment; household wealth has expanded greatly in the last 12 months thanks to robust gains in housing and equities; and the incoming Trump administration promises a significant fiscal stimulus, which in the short term should further bolster demand. Retail sales in November illustrated some of these positive trends, with robust growth noted both at grocery stores and foodservice establishments. The sales data is reported monthly by the US Census bureau in their 'Monthly Sales for Retail and Foodservices' report. Dollar sales at foodservice for the month were \$52.692 billion, 5% higher than the previous year. Even when adjusted for seasonal variation, holidays and difference in trading days, the growth was still a very robust 4.9%, matching the growth rate in October. One thing that has been a bit puzzling but also interesting to ponder is the different readings we are seeing from the Restaurant Index published by the National Restaurant Index and the Census report. The NRA report has been noting significant weakness, especially in terms of traffic counts. And yet the Census report has been showing consistently strong sales growth for the restaurant industry. One reason for the discrepancy may have to do with the fact that they are measuring somewhat different things. The NRA report is based on responses from members and it is meant to be somewhat qualitative. The survey asks the respondents whether sales are up or down compared from the previous year and whether they are seeing higher or lower traffic. But the restaurant industry has been undergoing a lot of changes in the last few years. Larger chains, which tend to be the big contributors to the NRA survey, have seen their business model challenged by new upstarts. There also seems to be more money looking get in the restaurant business and a wide variety of new concepts are cropping up. Which means that even though some of the larger chains may be reporting weaker sales and lower traffic, the restaurant business may still be in good shape. This is particularly important for beef since over the last decade foodservice accounts for a larger share of beef volume. According to data compiled as part of the Beef Checkoff studies, foodservice now accounts for over 54% of beef volume sales from around 50% a decade ago while retail accounts for under 46% compared to near 50%. Which is why many analysts tend to focus on foodservice business trends as a proxy for beef demand going forward.

Food retail sales also have been showing good growth in the last few months. November data showed sales at grocery stores of \$53.034 billion, up 3.3% from a year ago. When adjusted for seasonal factors sales were up 2.6% from last year and near the long run trend. We think pork retail demand has been particularly positive in the last few months. Ham promotions over the holidays provided some much needed support and combined with excellent export orders lifted the pork cutout counterseasonally higher in December. Lean hog futures currently are pricing some very robust demand for the pork market going into the spring. As always, export demand will remain a critical risk factor for the pork market but, for now, futures are betting on strong demand fundamentals.

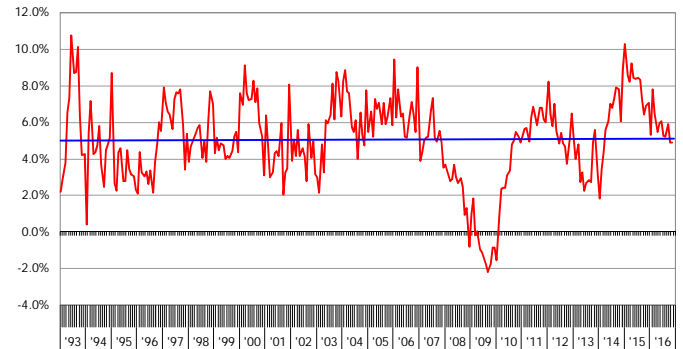
Y/Y Change in \$ Sales at Grocery Stores. Seasonally Adjusted

Source: US Census Bureau

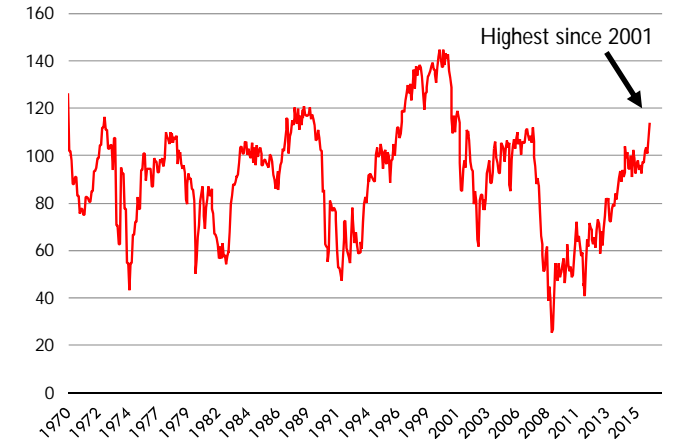


Y/Y Change in Sales at Foodservice and Drinking Places. Seasonally Adjusted

Source: US Census Bureau



Conference Board USA Consumer Confidence Index
Latest Data is for December 2016



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Daily Livestock Report

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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **12/31/2016**

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	
		31-Dec-16	24-Dec-16		2-Jan-16				
Total Beef, Pork, Chicken, Turkey		mil lbs., cwe	1,652	1,799	-8.17%	1,399	18.09%	92,961	3.5%
C	Fl Slaughter	Thou. Head	507	572	-11.36%	440	15.17%	30,104	6.4%
	Fl Cow Slaughter **	Thou. Head	116	115	1.13%	108	7.14%	5,303	6.7%
T	Avg. Dressed Weight	Lbs.	840	842	-0.24%	839	0.12%	827	0.1%
T	Beef Production	Million Lbs.	424.9	480.9	-11.64%	368.5	15.31%	24,906	6.5%
L	Live Fed Steer Price	\$ per cwt	117.08	115.14	1.68%	133.95	-12.59%		
E	Dressed Fed Steer Price	\$ per cwt	188.85	179.79	5.04%	211.52	-10.72%		
	Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	134.03	N/A	N/A	N/A		
&	Choice Beef Cutout	\$ per cwt	201.79	197.23	2.31%	207.16	-2.59%		
	Hide/Offal	\$ per cwt, live wt	11.81	11.78	0.25%	10.54	12.05%		
B	Rib Primal, Choice	\$ per cwt	308.65	338.12	-8.72%	328.84	-6.14%		
E	Round Primal, Choice	\$ per cwt	185.49	174.43	6.34%	186.57	-0.58%		
E	Chuck Primal, Choice	\$ per cwt	179.30	167.61	6.97%	173.15	3.55%		
F	Trimnings, 50%	\$ per cwt	39.07	34.29	13.94%	38.75	0.83%		
	Trimnings, 90%	\$ per cwt	194.50	191.66	1.48%	193.92	0.30%		
	Fl Slaughter	Thou. Head	2,081	2,149	-3.16%	2,038	2.12%	117,366	2.4%
	Fl Sow Slaughter **	Thou. Head	59.5	59.8	-0.60%	63.3	-6.08%	2,826	2.2%
H	Avg. Dressed Weight	Lbs.	212.0	212.0	0.00%	214.0	-0.93%	211	-0.6%
O	Pork Production	Million Lbs.	440.3	454.7	-3.17%	436.4	0.89%	24,787	1.8%
G	Iowa-S. Minn. Base	Wtd. Avg.	51.87	52.80	-1.76%	49.09	5.66%		
S	Natl. Base Carcass Price	Wtd. Avg.	58.13	58.15	-0.03%	53.96	7.73%		
	Natl. Net Carcass Price	Wtd. Avg.	60.29	60.40	-0.18%	55.70	8.24%		
	Pork Cutout	205 Lbs.	81.79	79.86	2.42%	69.47	17.73%		
	Ham Primal	\$ per cwt	72.80	75.22	-3.22%	50.04	45.48%		
	Loin Primal	\$ per cwt	78.76	75.42	4.43%	73.02	7.86%		
	Belly Primal	\$ per cwt	114.64	107.63	6.51%	101.87	12.54%		
	Trimnings, 72%, Fresh	\$ per cwt	58.17	56.15	3.60%	34.76	67.35%		
	Hog By-Product Value	\$ per cwt, live wt	3.85	3.91	-1.53%	3.02	27.48%		
C	Young Chicken Slaughter *	Million Head	149.9	160.2	-6.43%	115.5	29.83%	8,111	1.5%
H	Avg. Weight (RTC)	Lbs.	4.65	4.71	-1.29%	4.64	0.33%	6.15	0.8%
I	Young Chicken Production (RTC)	Million Lbs.	697.3	755.0	-7.64%	535.3	30.26%	37,890	2.4%
C	Eggs Set (19-state)	Million	211.8	211.9	-0.05%	207.0	2.33%	10,596	1.1%
K	Chicks Placed (19-state)	Million Head	172.9	172.6	0.15%	166.5	3.85%	8,684	1.0%
E	National Composite Whole Bird	Composite	85.39	83.65	2.08%	86.70	-1.51%		
	Northeast Breast, B/S	\$/cwt	98.49	98.65	-0.16%	102.63	-4.03%		
	Northeast Leg Quarters	\$/cwt	32.59	31.7	2.81%	23.59	38.15%		
T	Total Turkey Slaughter *	Million Head	3.374	4.187	-19.42%	2.213	52.46%	217.135	3.7%
U	Avg. Weight (RTC)	Lbs.	26.63	26.01	2.39%	26.66	-0.10%	30.81	1.8%
R	Turkey Production (RTC)	Million Lbs.	89.9	108.9	-17.49%	59.0	52.31%	5,378	5.6%
K	National Hen (8-12 lb)	8-16 Lbs.	103.00	107.20	-3.92%	116.25	-11.40%		
G	Corn, Omaha	\$ per Bushel	3.24	3.19	1.57%	3.49	-7.16%		
R	Distillers Grain, Chicago	\$ per Ton	NQ	120.00	N/A	127.50	N/A		
A	Wheat, Kansas City (deliv.)	\$ per Bushel	3.52	3.39	3.83%	NQ	N/A		
I	Soybeans, Cntrl IL	\$ per Bushel	10.02	9.91	1.11%	8.70	15.17%		
N	Soybn Meal 48%, Cntrl IL	\$ per Ton	322.30	317.80	1.42%	276.80	16.44%		

* 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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