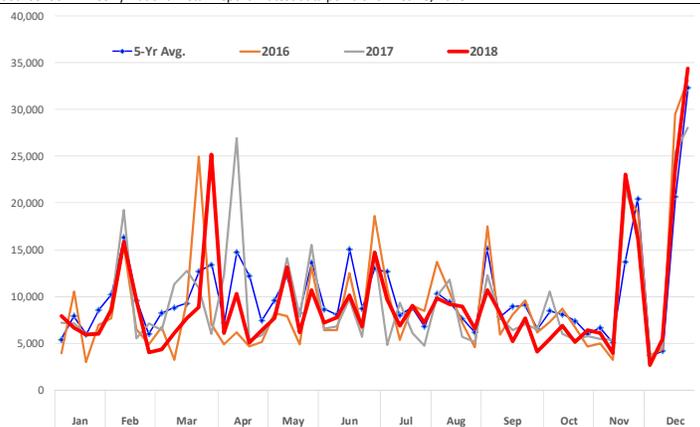


The beef cutout outperformed the pork cutout towards the end of December and we think this is due, in part, on stronger beef demand at retail. Seasonally beef demand gets better in December as foodservice business gets a bump from Christmas parties and year end celebrations. This year, however, it appears that retailers also increased their beef features, helping support wholesale beef prices despite some of the largest slaughter weeks of the year. Indeed, one can argue that the big slaughter weeks were possible precisely because packers needed to fill orders and were very aggressive in pulling cattle from feedlots.

The beef retail activity index during the three weeks prior to Christmas averaged 3.4% above the already very strong performance a year ago and 9% higher than the five year average. The top chart to the right shows the retail feature activity index for beef ribs, a staple of year end celebrations. Rib roasts are a favorite item for that time of year and as usual we saw a big jump in retail features. **Rib retail features were 9.2% higher than the previous year and 11% higher than the five year average.** The beef loin retail activity index during these three weeks was about 4% higher than a year ago as well but lower than the five year average. Even ground beef saw an improvement in December, especially during the first two weeks of the month. Retail ground beef features in the first two weeks of December averaged 24% above year ago levels and 14% higher than the five year average. For the entire month of December retail ground beef features were up 14% compared to last year. Retail merchandisers have a number feature options for the period between Thanksgiving and Christmas, with pork chops traditionally a popular one. Consider the second chart to the right. In 2016 and prior years (five year average), we notice a bump in terms of pork loin features during this time of year. Featuring pork chops between the two big holidays appeared to be a good, inexpensive option and it helped clean up the pork loin supply during some of the biggest hog slaughter weeks of the year. This was not the case last year and it was not the case this year. **Pork loin retail feature activity in the first two weeks of December was 5% lower than a year ago and 25% lower than the five year average.** And remember that this was a time when pork production hit all time record levels. For the entire month of December pork loin retail features were 11% lower than a year ago and 24% lower than the five year average. With fewer retail features and record production it should not be much surprise that pork loin prices have struggled. The loin primal value in December averaged \$65.13/cwt, 11% lower than a year ago and 19% lower than the five year average. The lower y/y value of the loin primal removed about \$2 from the overall pork cutout in December.

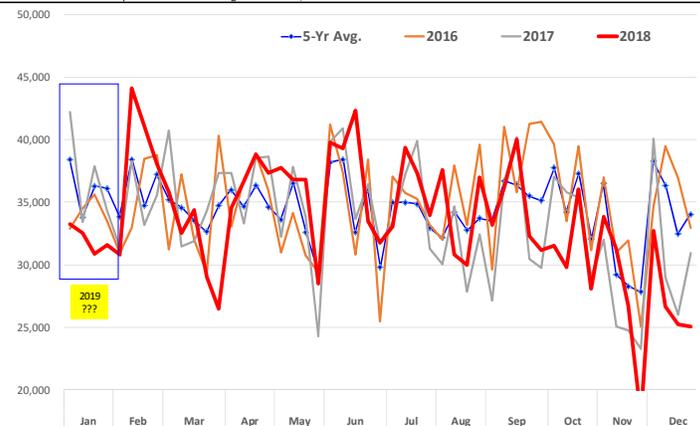
Beef Rib Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Dec 28, 2018



NATIONAL RETAIL PORK FEATURES REPORT: LOIN ACTIVITY INDEX

Source: USDA. Latest data point is for week ending November 30, 2018



It remains to be seen how the loin primal will perform in January. Last year loin features were very weak but eventually retailers changed their strategy and featured loins more prominently in February. Will they do the same again this year? February futures are pricing extremely weak pork prices in the first two months of the year. This is partly due to the ongoing woes of the loin primal but also weak ham and pork trim values. Jan/Feb slaughter should be lower than December levels, which should help limit supplies coming to market. But what is also needed is more retailers looking to take advantage of the value currently available in the pork market.

The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME® and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.