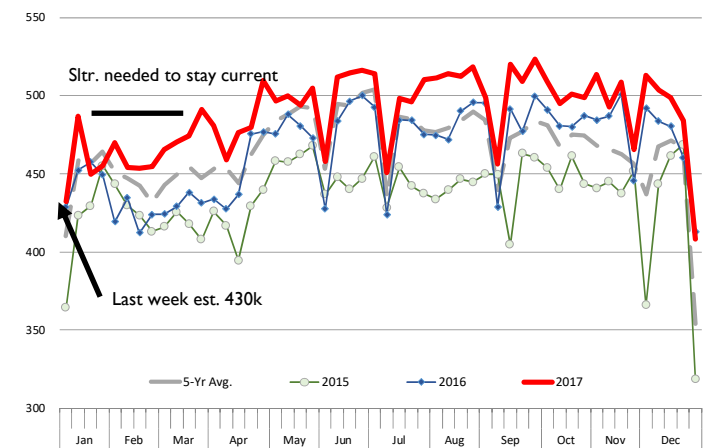


**The slaughter data for red meat was light, in large part due to the holiday shortened week but also the impact of extreme winter weather on some slaughter operations in the East Coast.**

Some of the lost production likely was made up on Saturday so the overall impact was relatively limited, in our view. Hog slaughter last Thursday was 418,000 head and Friday slaughter was 439,000 head, which we think represents a shortfall of around 60,000 head compared to slaughter under “normal” conditions. Some of these hogs were likely slaughtered on Saturday, with slaughter pegged at 387,000 head, a number that may be revised a bit higher then the final data is released. Market participants currently are focusing the rapid gains in the price of cash hogs, seen as evidence that pork demand is in good shape and packers are having little trouble going and selling product in the domestic and export markets. However, it is also important to consider the seasonal nature of both hog and pork trading during this time of year. It is not unusual for wholesale pork prices to be higher in the second half of January compared to late December and early January. We looked at the last ten years and the pork cutout was up in nine of the last ten years. Pork packers also tend to enjoy higher margins in Q4, a function a seasonally higher hog availability. As hog supplies decline into January, there is more competition for hogs and thus margins tend to narrow. This January we have to brand new plants that are looking to source hogs, thus further adding to this competition. Later this week we will examine the theoretical pork processing capacity and where industry stands at this point. Consider that the meat spread, in other words, the difference between the pork cutout and cash hog prices (CME index) currently stands at around \$14/cwt. Last year, the spread in early January was \$19.6 and by early February it had dropped to under \$14. It is not unusual for the spread during this time of year to be in the single digits. The pork cutout so far has performed quite well, with gains in bellies offsetting a slow start for pork loins. Ham markets will be key for hog prices in February, however. Easter this year is a bit earlier than normal, which means processors should be more active in looking to procure and process hams for the holiday. Bacon prices at retail have declined, and this in turn should bolster bacon sales for the month of January. While it is hard to envision a scenario where belly prices rally as they did last year in February, clearly futures expect belly prices to seasonally improve from current levels. Pork exports were very strong in November, something that we expect to cover in more detail tomorrow. Expectations are for robust pork export sales in the new year, thanks to more competitive US pork prices relative to other countries and expanding global demand for pork, especially in Asia and South America.

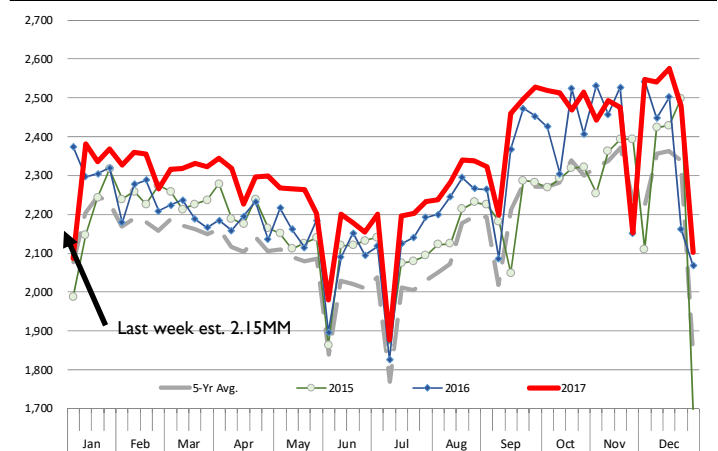
**WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD**

Source: USDA

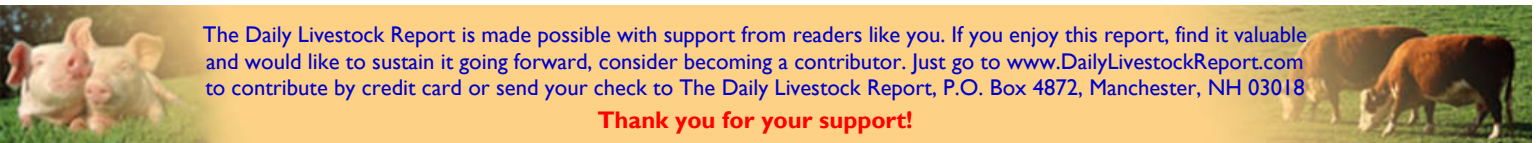


**WEEKLY HOG SLAUGHTER. '000 HEAD**

Source: USDA



Cattle slaughter for the week was light due missing a full Monday. Futures declined sharply on Friday when expectations for a higher cash market failed to materialize. The choice beef cutout has moved higher in recent days but participants are fully aware of the seasonal tendency for cutout to weaken in the second half of January and into February. The extreme cold impacting much of the country is also seen as more negative for beef than pork, since beef has a more central position in foodservice. Concerns about demand in Q1 and the ability of feedlots to stay current considering large on feed inventories are top of the mind concerns at this time.



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## Daily Livestock Report

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Vol. 16, No. 1 / January 2, 2018

## PRODUCTION &amp; WKLY AVG. PRICE SUMMARY

Week Ending 1/6/2018

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
		6-Jan-18	30-Dec-17		7-Jan-17			
<b>Total Beef, Pork, Chicken, Turkey</b>	<b>mil lbs., cwe</b>	<b>1,635</b>	<b>1,719</b>	<b>-4.89%</b>	<b>1,605</b>	<b>1.89%</b>	<b>45,454</b>	<b>1.3%</b>
<b>C</b> FI Slaughter	Thou. Head	541	502	7.77%	543	-0.45%	541	-0.4%
<b>C</b> FI Cow Slaughter **	Thou. Head	116	118	-1.14%	101	14.74%	5,683	5.1%
<b>T</b> Avg. Dressed Weight	Lbs.	836	836	0.00%	837	-0.12%	834	-0.2%
<b>T</b> Beef Production	Million Lbs.	451.3	418.6	7.81%	453.7	-0.53%	451	-0.5%
<b>L</b> Live Fed Steer Price	\$ per cwt	122.65	122.84	-0.15%	117.67	4.23%		
<b>E</b> Dressed Fed Steer Price	\$ per cwt	194.34	194.50	-0.08%	187.97	3.39%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	N/A	N/A	N/A	N/A		
<b>&amp;</b> Choice Beef Cutout	\$ per cwt	207.98	202.35	2.78%	201.83	3.05%		
Hide/Offal	\$ per cwt, live wt	10.70	10.69	0.09%	11.83	-9.55%		
<b>B</b> Rib Primal, Choice	\$ per cwt	313.79	308.65	1.67%	299.90	4.63%		
<b>E</b> Round Primal, Choice	\$ per cwt	179.82	172.17	4.44%	188.61	-4.66%		
<b>E</b> Chuck Primal, Choice	\$ per cwt	178.05	174.87	1.82%	178.73	-0.38%		
<b>F</b> Trimmings, 50%	\$ per cwt	68.34	57.78	18.28%	45.57	49.97%		
Trimmings, 90%	\$ per cwt	212.64	210.84	0.85%	198.08	7.35%		
<b>FI</b> Slaughter	Thou. Head	2,151	2,102	2.33%	2,087	3.07%	2,151	3.1%
<b>FI</b> Sow Slaughter **	Thou. Head	60.2	64.9	-7.32%	56.2	7.04%	2,913	1.0%
<b>H</b> Avg. Dressed Weight	Lbs.	214.0	215.0	-0.47%	213.0	0.47%	214	0.2%
<b>O</b> Pork Production	Million Lbs.	459.8	450.6	2.04%	445.3	3.26%	460	3.3%
<b>G</b> Iowa-S. Minn. Base	Wtd. Avg.	62.21	57.57	8.06%	54.83	13.46%		
<b>S</b> Natl. Base Carcass Price	Wtd. Avg.	63.97	62.22	2.81%	58.70	8.98%		
Natl. Net Carcass Price	Wtd. Avg.	65.70	64.04	2.59%	60.66	8.31%		
Pork Cutout	205 Lbs.	78.72	77.44	1.65%	79.61	-1.12%		
Ham Primal	\$ per cwt	57.56	55.86	3.04%	61.08	-5.76%		
Loin Primal	\$ per cwt	73.92	74.78	-1.15%	80.32	-7.97%		
Belly Primal	\$ per cwt	115.60	109.07	5.99%	117.95	-1.99%		
Trimmings, 72%, Fresh	\$ per cwt	65.82	60.06	9.59%	63.63	3.44%		
Hog By-Product Value	\$ per cwt, live wt	3.84	3.86	-0.52%	3.91	-1.79%		
<b>C</b> Young Chicken Slaughter *	Million Head	137.3	160.1	-14.26%	133.0	3.21%	8,370	1.5%
<b>H</b> Avg. Weight (RTC)	Lbs.	4.75	4.68	1.46%	4.72	0.64%	6.15	0.0%
<b>I</b> Young Chicken Production (RTC)	Million Lbs.	652.0	749.5	-13.01%	627.7	3.87%	39,096	1.5%
<b>C</b> Eggs Set (19-state)	Million	215.3	218.7	-1.52%	211.7	1.73%	11,094	2.7%
<b>K</b> Chicks Placed (19-state)	Million Head	171.2	178.4	-4.04%	172.2	-0.57%	9,005	1.7%
<b>E</b> National Composite Whole Bird	Composite	95.00	89.80	5.79%	87.16	8.99%		
Northeast Breast, B/S	\$/cwt	NQ	105.81	N/A	97.74	N/A		
Northeast Leg Quarters	\$/cwt	NQ	36.46	N/A	30.29	N/A		
<b>T</b> Total Turkey Slaughter *	Million Head	2.698	3.867	-30.23%	2.791	-3.33%	216,202	-1.7%
<b>U</b> Avg. Weight (RTC)	Lbs.	26.60	25.94	2.54%	27.92	-4.72%	31.42	1.7%
<b>R</b> Turkey Production (RTC)	Million Lbs.	71.8	100.3	-28.45%	77.9	-7.89%	5,447	-0.2%
<b>K</b> National Hen (8-12 lb)	8-16 Lbs.	80.41	79.00	1.78%	101.25	-20.58%		
<b>G</b> Corn, Omaha	\$ per Bushel	3.29	3.28	0.30%	3.37	-2.37%		
<b>R</b> Distillers Grain, Chicago	\$ per Ton	135.00	132.50	1.89%	117.50	14.89%		
<b>A</b> Wheat, Kansas City (deliv.)	\$ per Bushel	4.21	4.10	2.68%	3.69	14.09%		
<b>I</b> Soybeans, Cntrl IL	\$ per Bushel	9.54	9.36	1.92%	10.07	-5.26%		
<b>N</b> Soybn Meal 48%, Cntrl IL	\$ per Ton	315.30	309.30	1.94%	322.70	-2.29%		

\* Chicken &amp; turkey slaughter &amp; 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. YTD still references 2017.

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