

Before we get into today's topic, we will briefly review futures markets for the first week of 2017. For the February 2017 Live Cattle contract, the weekly average (simple average of the daily closes) was \$115.11 per cwt., down \$1.73 for the week. Still, some Live Cattle contracts were \$2.00 to \$4.00 per cwt. above one month ago. The March 2017 Feeder Cattle contract averaged \$124.08 per cwt. last week, dropping \$2.12 compared to the prior week. Regarding hogs, the February 2017 contract slipped by \$0.91 per cwt. to \$64.24. In contrast to the February Hog contract, the deferred months gained, for example the July 2017 contract averaged \$76.31 per cwt. for the week, up \$0.85 from the prior week. Especially for hog operations, futures prices are offering opportunities to lock-in profits.

On the second page of this newsletter, is our weekly cash price and production summary. Note that comparisons (e.g. year-to-date) were impacted by the calendar and that USDA's Agricultural Marketing Service (AMS) uses weekly data and not their published daily data for the first week of the calendar year. Hence, they included one less day for the first week of January 2017 than they did in 2016. Of course, that makes a significant year-to-date percentage change difference and will take a few weeks into the new calendar year to become relatively unimportant. Looking at wholesale values, the Choice beef cutout eroded during the week, but remained slightly above the prior week. Compared to a year ago, the Choice beef cutout value was down about 11%. The average pork cutout decreased by \$2.18 for the week, however it remained nearly 14% above 2016's.

This week, USDA's AMS (Market News Division) will be implementing updated yields, which are used in calculation of beef cutout values. A set of yields are used to aggregate individual cuts into the beef primal components (rib, chuck, round, loin, brisket, short plate, and flank). Then another set of yield proportions are applied to primals to derive the aggregate cutout, which is a carcass equivalent value. Note that the yields are fixed for a period of time by AMS and updated using industry input; the last set of yield adjustments were implemented in 2014. Ongoing (i.e. normal daily and weekly) changes in the cutout values are due to the underlying prices for cuts which are weighted by quantity sold. This weighted average causes items sold in largest quantity to have the most effect on the cutout. More details on the calculation process are available from AMS website [here](#).

AMS calculated the impacts of the yield changes and we have

TABLE 1. Negotiated Daily Boxed Beef Cutout Using New 2017 Yields (report LM\_XB403 on 01-04-2017)

	CHOICE 600-900	SELECT 600-900
Cutout Values (\$/Cwt)	203.72	194.94
COMPOSITE PRIMAL VALUES		
Primal Rib	307.02	277.79
Primal Chuck	180.41	176.14
Primal Round	189.46	187.41
Primal Loin	252.53	234.53
Primal Brisket	163.50	167.71
Primal Short Plate	113.12	113.12
Primal Flank	95.05	91.60

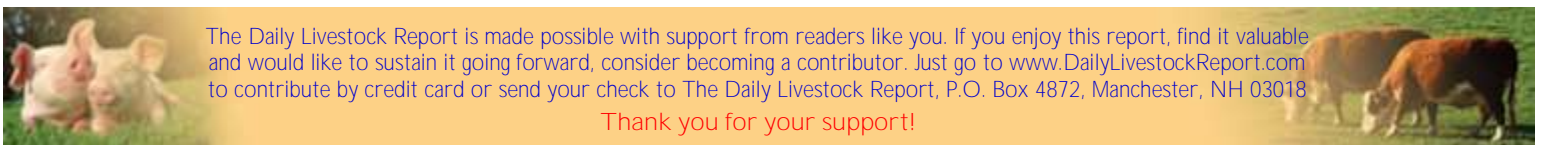
TABLE 2. Negotiated Daily Boxed Beef Cutout Using Old 2014 Yields (report LM\_XB403 on 01-04-2017)

	CHOICE 600-900	SELECT 600-900
Current Cutout Values (\$/Cwt)	203.65	194.30
COMPOSITE PRIMAL VALUES		
Primal Rib	305.96	276.91
Primal Chuck	180.77	176.57
Primal Round	190.30	188.16
Primal Loin	253.29	232.77
Primal Brisket	154.84	158.69
Primal Short Plate	112.07	111.68
Primal Flank	94.92	91.48

TABLE 3. Comparison of 2017 Versus 2016 Yields

Nat. Weekly Comprehensive Boxed Beef Cutout (report LM_XB463 for Week Ending 12-23-2016)		
	2017	2016
	Yield	Yield
Comprehensive Cutout Value (\$/Cwt)	190.35	190.15
Primal Rib	325.12	324.04
Primal Chuck	158.68	158.59
Primal Round	165.86	166.57
Primal Loin	238.57	239.73
Primal Brisket	160.38	151.11
Primal Short Plate	107.92	106.83
Primal Flank	87.86	87.69

provided those tables. The aggregate impacts on cutout value are rather small, but changes in the primal components are larger. Table 1 uses the January 4, 2017 daily report (which is only negotiated trade) with the new (2017) yields and Table 2 the old yields (2014's) for that same day. The Choice (600-900 pound carcass) equivalent cutout value is increased by only 7 cents per cwt. and Select by 64 cents. On a dollar per cwt. basis, the primal with the largest adjustment is the brisket (Choice increased by \$8.66 per cwt.). The impacts of the yield changes on the weekly comprehensive boxed beef report from AMS are shown in Table 3 for the week ending December 23, 2016. The overall change is only 20 cents per cwt.; the largest adjustment is to the brisket (\$9.27 per cwt. for that week).



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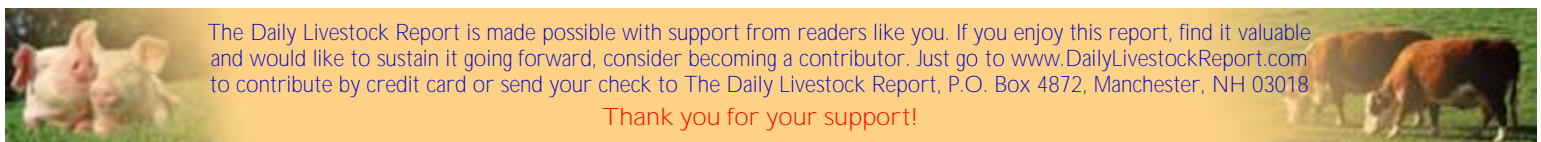
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PRODUCTION & PRICE SUMMARY					Week Ending		1/7/2017	
Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary.								
Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		7-Jan-17	31-Dec-16		9-Jan-16			
Beef, Pork, Chicken, & Turkey	Mill Lbs., cwe	1,594	1,655	-3.7%	1,672	-4.7%	44,862	2.2%
C FI Slaughter	Thou. Head	537	510	5.3%	552	-2.8%	537	-10.2%
A FI Cow Slaughter **	Thou. Head	101	116	-12.5%	80	27.1%	101	-63.4%
T Avg. Dressed Weight	Lbs.	837	840	-0.4%	832	0.6%	835	0.5%
T Beef Production	Million Lbs.	448.3	427.4	4.9%	458.7	-2.3%	448	-9.7%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	117.67	117.44	0.2%	132.26	-11.0%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	187.98	188.86	-0.5%	209.75	-10.4%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	138.31	NO	N/A	174.21	-20.6%		
& Choice Beef Cutout	\$ per cwt	201.83	201.79	0.0%	226.24	-10.8%		
Hide/Offal	\$ per cwt, live wt	11.83	11.81	0.2%	10.57	11.9%		
B Rib, Primal, Choice	\$ per cwt	299.90	308.65	-2.8%	328.31	-8.7%		
E Round, Primal, Choice	\$ per cwt	188.61	185.49	1.7%	215.65	-12.5%		
E Chuck, Primal, Choice	\$ per cwt	178.73	179.30	-0.3%	195.17	-8.4%		
F Trimmings, 50%, Fresh	\$ per cwt	45.57	39.07	16.6%	62.89	-27.5%		
F Trimmings, 90%, Fresh	\$ per cwt	198.08	194.50	1.8%	197.60	0.2%		
H FI Slaughter	Thou. Head	2,088	2,081	0.3%	2,375	-12.1%	2,093	-23.8%
H FI Sow Slaughter **	Thou. Head	56.2	59.5	-5.4%	39.2	43.4%	56	-59.2%
O Avg. Dressed Weight	Lbs.	211.0	212.0	-0.5%	215.0	-1.9%	210	-2.2%
G Pork Production	Million Lbs.	440.1	440.3	0.0%	511.2	-13.9%	440	-25.5%
S Iowa-S. Minn. Direct	Wtd. Avg.	53.53	52.02	2.9%	50.96	5.0%		
& Natl. Base Carcass Price	Wtd. Avg.	58.42	57.93	0.8%	54.65	6.9%		
Natl. Net Carcass Price	Wtd. Avg.	60.29	60.12	0.3%	56.30	7.1%		
P Pork Cutout	\$ per cwt	79.61	81.79	-2.7%	69.94	13.8%		
O By-product Value	\$ per cwt, live wt	3.91	3.90	0.3%	3.01	29.9%		
R Ham, Primal	\$ per cwt	61.08	72.80	-16.1%	50.69	20.5%		
R Loin, Primal	\$ per cwt	80.32	78.76	2.0%	74.75	7.5%		
K Belly, Primal	\$ per cwt	117.95	114.64	2.9%	106.20	11.1%		
K Trimmings, 72%, Fresh	\$ per cwt	65.87	57.21	15.1%	39.41	67.1%		
C Young Chicken Slaughter *	Million Head	133.0	149.9	-11.3%	135.44	-1.8%	8,244	1.5%
H Avg. Weight (RTC)	Lbs.	4.72	4.65	1.5%	4.68	0.8%	4.67	0.8%
I Young Chicken Production (RTC)	Million Lbs.	627.7	697.3	-10.0%	634.1	-1.0%	38,518	2.3%
C Eggs Set (19-state)	Million	212.1	210.7	0.7%	205.6	3.1%	212	-48.6%
K Chicks Placed (19-state)	Million Head	172.0	172.4	-0.3%	169.9	1.2%	172	-49.6%
E National Composite Whole Bird	Composite	87.16	85.39	2.1%	87.99	-0.9%		
N Northeast Breast, B/S	\$ per cwt	97.74	98.49	-0.8%	103.54	-5.6%		
N Northeast Leg Quarters	\$ per cwt	30.29	32.59	-7.1%	23.88	26.8%		
T Total Turkey Slaughter *	Million Head	2.79	3.37	-17.3%	2.71	2.8%	219.9	3.7%
U Avg. Weight (RTC)	Lbs.	27.92	26.63	4.8%	25.24	10.6%	24.81	2.0%
R Turkey Production (RTC)	Million Lbs.	77.9	89.9	-13.3%	68.5	13.8%	5,456	5.7%
K National Hen (8-12 Lbs)	\$ per cwt	101.25	103.00	-1.7%	115.30	-12.2%		
G Corn, Omaha	\$ per Bushel	3.37	3.24	4.0%	3.46	-2.5%		
R Distillers Grain, Chicago	\$ per Ton	117.50	NO	N/A	NO	N/A		
A Wheat, Kansas City (delivered)	\$ per Bushel	4.62	4.55	1.5%	5.29	-12.7%		
I Soybean, Cntrl IL	\$ per Bushel	10.07	10.02	0.4%	8.72	15.4%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	322.70	322.30	0.1%	276.40	16.8%		

\* 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 (part of "actual" rather than "preliminary" weekly slaughter report).



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