

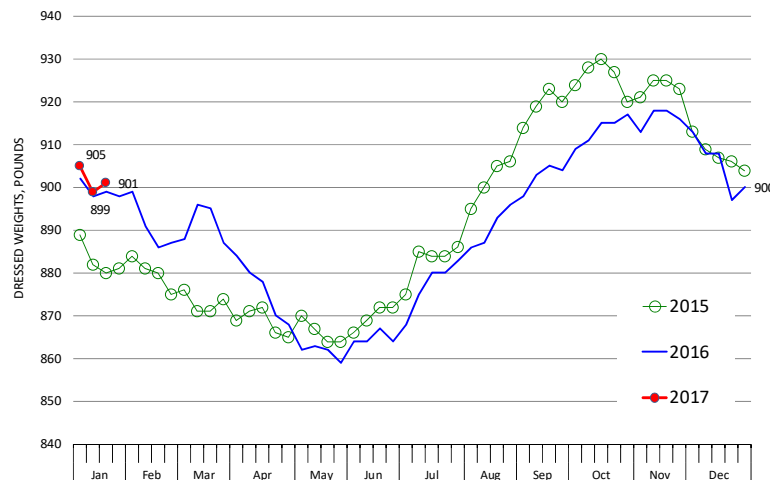
USDA reported on Thursday that the average weight of steer carcasses was 905 pounds, a 6 pound increase from the previous reading.

But does this mean cattle are backing up in feedlots and getting less current? We don't think so and urge market participants to take a step back and consider other evidence rather than just this one number published once a week. Keep in mind that the weight number was for week ending January 7, so it is about two weeks old. Now USDA does publish a weekly number on weights in their Friday night production summary but it is not a real number, it is simply calculated using the trend from the previous six weeks. The Thursday weight data is supposed to be the official statistics and it is compiled when all the field reports are tabulated. As we have noted earlier in the DLR, the mandatory price reporting system does provide much more current data but one needs to go through the effort of collating this information. Different classes and weights of cattle are marketed each day, some on a live basis and some on a dressed basis. We have developed a model that pulls all this information together and generally has a very tight correlation with the USDA official numbers. The results from that model are presented in the chart to the right, showing that steer average weights are currently at around 901 pounds per carcass, only slightly higher than where they were at this time last year and significantly higher than in 2015. The general trend is for weights to continue to move higher so the increase over 2015 is not that surprising. Also, as feedlots place cattle on feed at heavier weights they will also come to market at heavier weights. One thing that may impact average weights in 2017 is the relative number of dairy bred steer in the mix. With fed cattle supplies increasing, packers are now discouraging feedlots from placing a lot of dairy steers on feed. These animals tend to have lower quality scores and the large carcasses tend to create problems for plants during manufacturing. The discount of dairy calves is widening as a result. The USDA site was down this morning so we could get an idea of the total number of such animals in the slaughter mix but it will be an interesting topic to cover in another report. For now we do not see steer weights signal feedlots are falling behind in marketings. But as packer margins tighten and they slow down Saturday kills, it will be important to keep an eye on this metric.

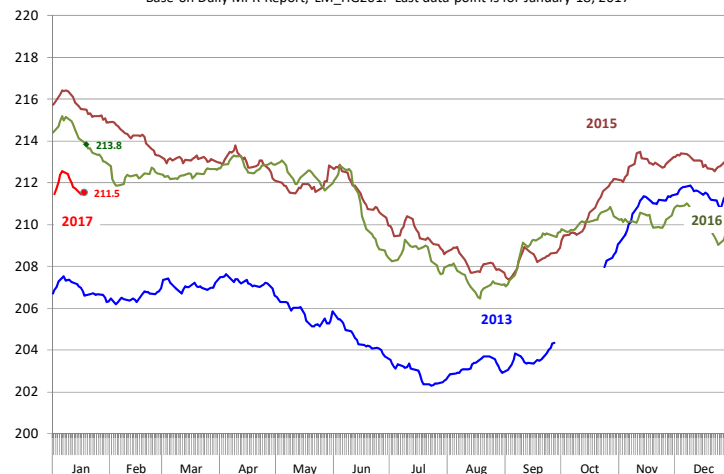
The average weight of barrows and gilts reported in the USDA report yesterday was 211 pounds, about a pound heavier than it was the previous week. But as with steer weights, hog weights also are reported with a two week lag. **It is not unusual for hog weights to move higher after the holidays due to holiday slaughter disruptions. However as producers have resumed normal operations it appears weights are moving lower** and our current calculations based on the MPR data show weights are today about a pound lower than they were in the first week of the year. Seasonally hog weights drift lower into

Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate

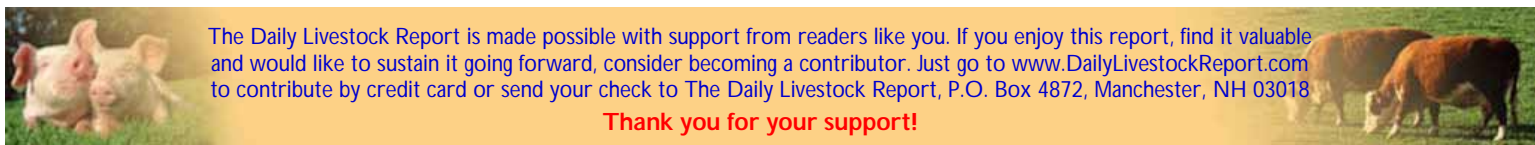
Source: USDA & Steiner Consulting Estimates



Dressed Hog Carcass Weights, 5-day Moving Average, Producer MPR Barrows & Gilts
Base on Daily MPR Report, LM_HG201. Last data point is for January 18, 2017



late January and early February and then are flat to slightly higher through April. It will be interesting to see how weights perform in the next few weeks. As with cattle packer margins, hog margins also have narrowed but they still remain quite strong and the incentives are still there for packers to run as heavy as possible to capitalize on the robust demand. The weekly export numbers that came out this morning continued to point to excellent export demand, with January shipments (according to our estimate) on track to be 15-20% higher than last year.



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