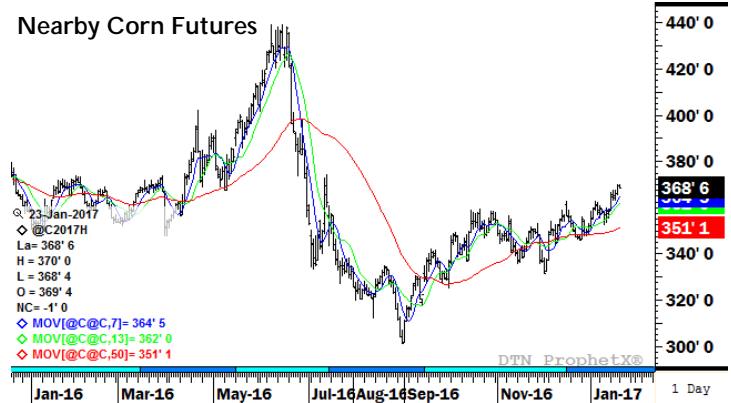


The US livestock, poultry and dairy industries have been blessed (again) with a record-setting corn harvest. The harvest in late 2016 totaled 15.1 billion bushels, up from 13.6 billion bushels in 2015 and 14.2 billion bushels in 2014. As prospects for the 2016 harvest unfolded, corn prices declined sharply from June through August, bottoming out around Labor Day. Prices moved higher in the ensuing two months as sales in the export channels and purchases by domestic ethanol producers responded to the lower prices. So far in 2017, the nearby corn futures price has ranged from \$3.55-\$3.70, with an average price that is close to the same as last year's January-March 2016 March futures average price.

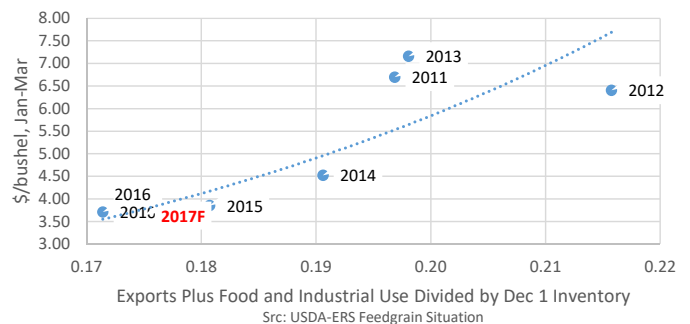
The middle graph at the right shows the relationship between the nearby corn futures prices during the January-March interval for 2010 to 2017 relative to available corn inventories on December 1 and flows of corn to exports and usage for food and industrial purposes (e.g. ethanol). The ratio of usage to December 1 inventory this year is expected to be 17.5%, compared to 17.7% last year and 17.1% in 2010. In 2010, the nearby corn futures price averaged \$3.71 per bushel and in 2016 the average price was \$3.63. In 2015, the usage to inventory ratio was 18.1% and prices averaged \$3.85, which gives an indication of the price sensitivity to a one percent change in the usage-to-inventory ratio.

Although the usage-to-inventory ratio seems to be static in recent years, the numbers that go into the ratio have not been. December 1 corn inventories were up one billion bushels from a year earlier, up 10%. Countering this are exports this quarter (Dec 2016-Feb 2017) that are on course to be up 34% from four quarters earlier. Food and industrial corn usage during the September-November 2016 quarter was up 54 million bushels from a year earlier and a similar increase for the current quarter allows for the 17% usage-to-inventory ratio.

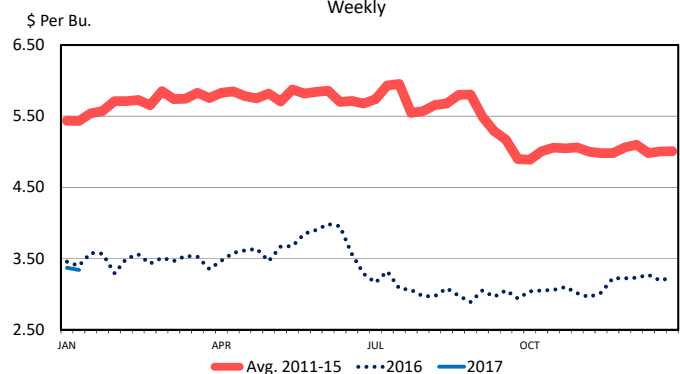
The other piece of the puzzle for pricing feed is the cash basis for corn. Currently, local market prices for corn (for instance, Omaha) are below a year ago by about 3% while the nearby futures price is close to unchanged. This condition is a product of livestock and poultry production levels that are not up by as much as the 10% increase in corn inventories and prices for alternative feeds (wheat and sorghum) that are cheaper than a year ago. In the case of cattle feedlots, inventories by the latest measure were down 1% from a year ago, while US hog inventories are up 4%. Currently, chicken hatchery output is up 1% from a year ago. All of this suggests that feed costs for meat production in this country should not change much for the next few months.



Corn Nearby Futures Prices Vs. Use to Stocks Ratio
Dec - Feb Qtr



OMAHA CORN PRICES
Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

G-P-02
01/13/17

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PRODUCTION & PRICE SUMMARY

Week Ending

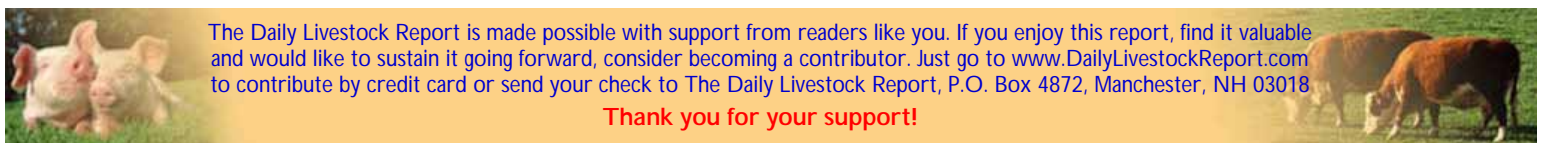
1/21/2017

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
		21-Jan-17	14-Jan-17		23-Jan-16			
Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,855	1,822	1.8%	1,847	0.5%	4,575	-4.2%
C FI Slaughter	Thou. Head	569	609	-6.6%	575	-1.1%	1,721	-1.5%
A FI Cow Slaughter **	Thou. Head	104	97	7.5%	117	-10.6%	104	-10.6%
T Avg. Dressed Weight	Lbs.	835	835	0.0%	835	0.0%	834	0.3%
T Beef Production	Million Lbs.	473.9	507.6	-6.6%	479.4	-1.1%	1,435	-1.2%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	121.89	118.82	2.6%	133.72	-8.8%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	194.82	189.75	2.7%	207.64	-6.2%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	140.15	137.78	1.7%	164.27	-14.7%		
& Choice Beef Cutout	\$ per cwt	191.65	192.00	-0.2%	228.73	-16.2%		
Hide/Offal	\$ per cwt, live wt	11.95	11.92	0.3%	10.57	13.1%		
B Rib, Primal, Choice	\$ per cwt	291.34	289.06	0.8%	319.78	-8.9%		
E Round, Primal, Choice	\$ per cwt	172.12	173.88	-1.0%	214.96	-19.9%		
E Chuck, Primal, Choice	\$ per cwt	163.71	164.69	-0.6%	204.67	-20.0%		
F Trimmings, 50%, Fresh	\$ per cwt	58.19	50.81	14.5%	68.91	-15.6%		
Trimmings, 90%, Fresh	\$ per cwt	203.52	201.68	0.9%	203.02	0.2%		
H FI Slaughter	Thou. Head	2,324	2,395	-3.0%	2,305	0.8%	6,806	-7.4%
H FI Sow Slaughter **	Thou. Head	48.6	40.1	21.2%	58.5	-16.8%	49	-16.8%
O Avg. Dressed Weight	Lbs.	212.0	211.0	0.5%	213.0	-0.5%	212	-1.1%
G Pork Production	Million Lbs.	491.9	506.4	-2.9%	491.9	0.0%	1,442	-8.4%
S Iowa-S. Minn. Direct	Wtd. Avg.	63.24	60.75	4.1%	55.65	13.6%		
Natl. Base Carcass Price	Wtd. Avg.	64.49	61.48	4.9%	57.94	11.3%		
& Natl. Net Carcass Price	Wtd. Avg.	66.69	63.59	4.9%	59.87	11.4%		
Pork Cutout	\$ per cwt	79.58	79.73	-0.2%	74.12	7.4%		
P By-product Value	\$ per cwt, live wt	3.90	3.89	0.3%	3.01	29.6%		
O Ham, Primal	\$ per cwt	61.70	58.77	5.0%	56.48	9.2%		
R Loin, Primal	\$ per cwt	80.74	81.53	-1.0%	80.80	-0.1%		
K Belly, Primal	\$ per cwt	134.00	125.33	6.9%	116.61	14.9%		
Trimmings, 72%, Fresh	\$ per cwt	71.64	74.60	-4.0%	49.46	44.8%		
C Young Chicken Slaughter *	Million Head	164.3	147.8	11.2%	162.81	0.9%	312	-3.6%
H Avg. Weight (RTC)	Lbs.	4.70	4.85	-3.1%	4.69	0.2%	4.77	1.3%
I Young Chicken Production (RTC)	Million Lbs.	771.8	716.5	7.7%	763.4	1.1%	1,488	-2.3%
C Eggs Set (19-state)	Million	208.7	211.2	-1.2%	208.2	0.2%	420	1.1%
K Chicks Placed (19-state)	Million Head	172.1	172.3	-0.1%	170.3	1.1%	344	0.9%
E National Composite Whole Bird	Composite	85.13	86.66	-1.8%	87.64	-2.9%		
N Northeast Breast, B/S	\$ per cwt	100.01	99.90	0.1%	108.44	-7.8%		
Northeast Leg Quarters	\$ per cwt	32.33	31.36	3.1%	25.64	26.1%		
T Total Turkey Slaughter *	Million Head	4.43	3.50	26.4%	4.30	2.9%	7.9	-8.0%
U Avg. Weight (RTC)	Lbs.	26.62	26.19	1.6%	25.98	2.5%	26.43	1.7%
R Turkey Production (RTC)	Million Lbs.	117.8	91.7	28.4%	111.8	5.4%	210	-6.4%
K National Hen (8-12 Lbs)	\$ per cwt	95.50	98.60	-3.1%	113.22	-15.7%		
G Corn, Omaha	\$ per Bushel	3.45	3.34	3.1%	3.58	-3.8%		
R Distillers Grain, Chicago	\$ per Ton	105.00	NQ	N/A	NQ	N/A		
A Wheat, Kansas City (delivered)	\$ per Bushel	4.62	4.61	0.2%	5.35	-13.6%		
I Soybean, Cntrl IL	\$ per Bushel	10.57	10.33	2.3%	8.88	19.1%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	347.20	327.40	6.0%	281.20	23.5%		

* 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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