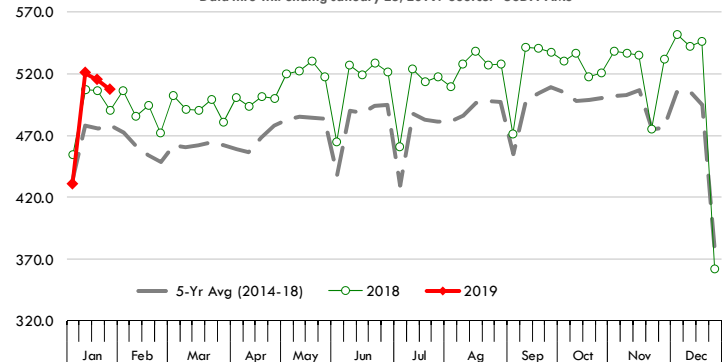


How much beef, pork and chicken was produced in January and what impact is that having on prices?

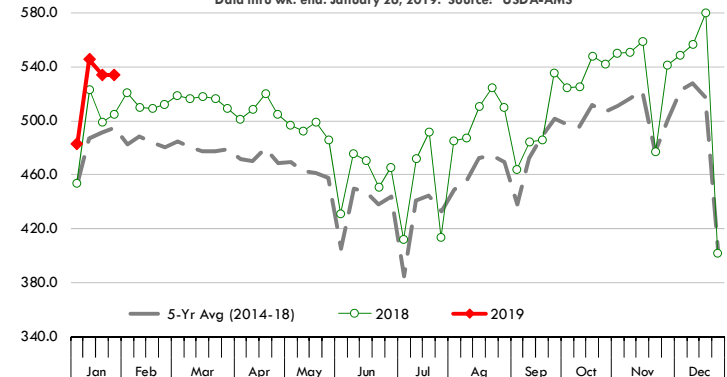
It's a fairly straightforward question but the answer will vary depending on the statistics that you pick to answer it. Often we compare the volume produced during a given time period with a similar period a year ago. This is to avoid the seasonal shifts in production and try to compare apples to apples. With only four weeks into the new year it makes sense to look at the year to date data and see how it compares to the same period last year. USDA report SJ_LS712 offers a synopsis of production for the last reported week (wk. ending Jan 26) as well as year to date production. This year to date production is what we also include in the weekly summary table that part of yesterday's DLR. According to USDA, **year to date pork production is up 1.5% compared to the previous year.** It is certainly true if you start counting from January 1 but it is also a somewhat misleading number.

But we think pork production is running well above the +1.5% suggested by the YTD figure. The reason is that the first day of 2019 was a Tuesday while the first day of 2018 was a Monday. As a result, during the first week of the year, only 82% of the weekly production was attributed to 2019. Last year, all of the weekly production was included in that year's production. So basically we have one less production day included, which tends to skew the statistics and gives us that +1.5% increase in pork production YTD. If we really want to know how much more pork are we getting on a daily or weekly basis, it is best to compare full weeks. Sure this sounds obvious but with all the numbers being thrown around, it is something that sometimes needs to be highlighted. Consider that **in the four full weeks ending January 26, pork production was a combined 2.096 billion pounds, 114.6 million pounds or 5.8% higher than the exact same four week stretch a year ago.** This comparison may not be perfect either given that January 1 holiday fell on different days but it is certainly more "apples to apples" than the YTD comparison. And to add more complexity to this, one needs to remember that this is an estimate based on figures provided to USDA-AMS from plants and trend weights. We touched on the weight estimation problem last week so will not belabor the point but consider that the average hog dressed weight used by USDA in this four week stretch was 213 pounds per carcass, 0.5% lower than a year ago. **Data from Mandatory Price Reporting suggests that barrow and gilt weights for all hogs averaged about 0.6% above year ago levels.** That 1% swing in weights represents an additional 20 million pounds for the period in question. Pork prices are weak and prices for some products are struggling to gain traction. If one were to look at the +1.5% increase in YTD production, one could conclude that this kind of price decline suggests weak pork demand. The prices we have seen start to make a bit more sense when we consider that **pork production during the last**

US WEEKLY BEEF PRODUCTION, MILLION LB., CARCASS WT.
Data thru wk. ending January 26, 2019. Source: USDA-AMS

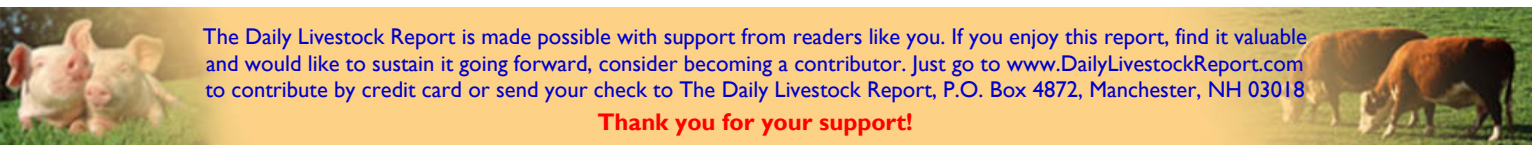


US WEEKLY PORK PRODUCTION, MILLION POUNDS, CWE
Data thru wk. end. January 26, 2019. Source: USDA-AMS



four weeks may have been as high as 7% higher than the same stretch a year ago.

Year to date beef production was reported by AMS to be down 2.3% compared to a year ago. This figure has the same issue as pork. Total production for the four full weeks was actually 0.7% higher than last year. **AMS weekly beef production includes the really odd estimate that dressed weights in the last four weeks have been steady to higher and are running above year ago levels.** This runs counter other data available. When it is all said and done we would not be surprised if beef production during the last four weeks was about 2% lower than the same period a year ago. Keep this wide gap in production trends between beef and pork in mind when looking at the divergence in prices between the two species.



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