Daily Livestock Report

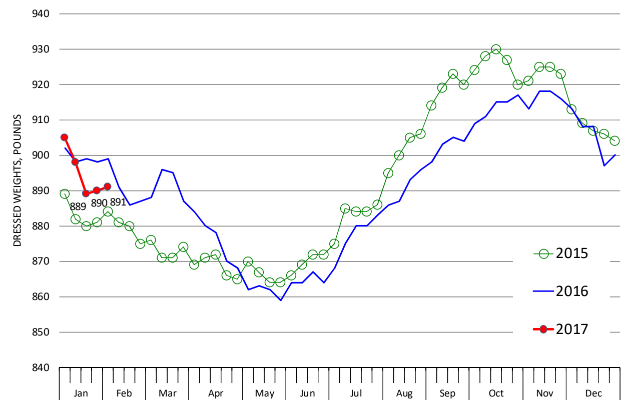
Vol. 15, No. 23 / February 6, 2017

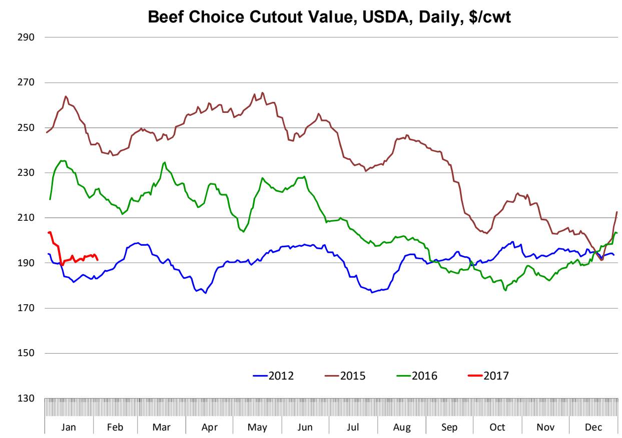
While the beef cutout pulled back on Friday, for the week prices help up quite well considering the increase in supply. The average choice cutout value last week was $192.9/cwt, 0.4% higher than the previous week. The select cutout averaged $189.9/cwt, 0.7% higher. The higher cutout prices came even as overall slaughter increased notably from a week ago. Total cattle slaughter last week was 593,000 head, almost 3% higher than a week ago. While we should expect cattle prices to move lower into February from current levels, packers continue to maintain a very strong slaughter pace at the start of this year. Fed cattle slaughter, which is what futures market participants really care about, last week is estimated at around 470,000 head compared to 457,000 head the week before and 419,000 head for the same week last year. In the last four weeks, fed cattle slaughter is up 5% from the same period a year ago. We think the increase in overall fed beef supplies has not matched the increase in slaughter due to lower fed cattle weights. It was somewhat of a surprise that USDA published steer weights at 889 pounds per carcass in their Thursday report. While we do not disagree that weights have come down to those kinds of levels, we did not expect that kind of reading for week ending January 21. Have weights continue to decline from there? Based on the data reported in the MPR system, we don't think so. At this point is looks like current average steer weights are around 890 pounds per dressed carcass. Still this is about 9-10 pounds lower than a year ago and offsets some of the increase in overall slaughter.

The last quote on the choice beef cutout pegged it about $29 (-13%) lower than the same period a year ago. Wholesale beef prices are down considerably and this has provided retailers with plenty of options to feature beef. Some items have performed better than others. When looking at the the various primals, it is obvious that the items performing the best are those that rely on export demand, briskets and short plates. We think the number on short plates is understated because USDA calculates it from the value of trimmings rather than actual export sales. The price of 50CL beef trim, a key ingredient for ground beef packages, now is approaching 80 cents per pound compared to around 35 cents in December. The gains in the value of 50CL beef alone have added about $4.5/cwt to the beef carcass. But the chuck and round primal have been struggling and prevented the cutout from gaining a bit more ground. The value of the chuck primal on Friday was down 18% from last year and the value of the round primal is down 19%. Lower prices for competing meats and generally plentiful meat protein supplies likely have negatively impacted this portion of the carcass. And if packers are having trouble moving these items in the winter, how successful will they be in the summer? This will likely continue to be a drag for prices and probably the more bearish indicator for beef/cattle in the short to medium term. However, at this point it looks like futures already have built a lot of these bearish ideas and sentiment into the summer market and fall. As the belly market quickly taught us in the last week, the cure for low prices usually is low prices. And cattle futures are now offering end users an opportunity to feature even more beef during grilling season.

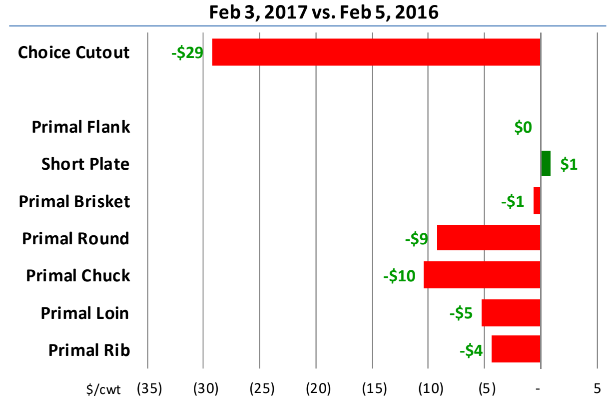
Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate

Source: USDA & Steiner Consulting Estimates





Change in CHOICE BEEF Cutout Value and Contribution by Primal
Feb 3, 2017 vs. Feb 5, 2016



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PRODUCTION & WKLY AVG. PRICE SUMMARY   Week Ending   2/4/2017

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. *<u>Weekly Avg. Prices</u>*

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			4-Feb-17	28-Jan-17		6-Feb-16			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,868**	**1,813**	3.06%	**1,786**	4.62%	**8,257**	-0.9%
	FI Slaughter	Thou. Head	593	577	2.77%	535	10.81%	2,894	1.4%
C	FI Cow Slaughter **	Thou. Head	114	114	-0.04%	110	3.01%		
T	Avg. Dressed Weight	Lbs.	830	834	-0.48%	831	-0.12%	829	-0.002298
T	Beef Production	Million Lbs.	491.0	480.1	2.27%	443.8	10.64%	2,398	1.2%
L	Live Fed Steer Price	$ per cwt	118.76	121.22	-2.03%	134.46	-11.68%		
E	Dressed Fed Steer Price	$ per cwt	189.78	193.46	-1.90%	210.29	-9.75%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	136.88	140.18	-2.35%	171.11	-20.00%		
&	Choice Beef Cutout	$ per cwt	192.88	192.09	0.41%	221.84	-13.05%		
	Hide/Offal	$ per cwt, live wt	12.00	11.91	0.76%	10.40	15.38%		
B	Rib Primal, Choice	$ per cwt	294.07	291.98	0.72%	326.48	-9.93%		
E	Round Primal, Choice	$ per cwt	171.36	173.53	-1.25%	211.85	-19.11%		
E	Chuck Primal, Choice	$ per cwt	158.92	161.19	-1.41%	193.57	-17.90%		
F	Trimmings, 50%	$ per cwt	76.37	64.75	17.95%	50.44	51.41%		
	Trimmings, 90%	$ per cwt	206.77	205.88	0.43%	208.78	-0.96%		
	FI Slaughter	Thou. Head	2,327	2,367	-1.69%	2,179	6.79%	11,498	-3.0%
	FI Sow Slaughter **	Thou. Head	55.8	58.6	-4.69%	53.3	4.80%		
H	Avg. Dressed Weight	Lbs.	213.0	213.0	0.00%	212.0	0.47%	213	-0.2%
O	Pork Production	Million Lbs.	496	503.7	-1.53%	462.2	7.31%	2,450	-3.2%
G	Iowa-S. Minn. Base	Wtd. Avg.	66.97	64.14	4.41%	61.91	8.17%		
S	Natl. Base Carcass Price	Wtd. Avg.	67.28	65.83	2.20%	63.09	6.64%		
	Natl. Net Carcass Price	Wtd. Avg.	69.57	68.11	2.14%	65.17	6.75%		
	Pork Cutout	205 Lbs.	83.72	81.79	2.36%	77.23	8.40%		
	Ham Primal	$ per cwt	61.07	62.90	-2.91%	58.77	3.91%		
	Loin Primal	$ per cwt	74.61	77.84	-4.15%	82.44	-9.50%		
	Belly Primal	$ per cwt	172.33	152.41	13.07%	125.28	37.56%		
	Trimmings, 72%, Fresh	$ per cwt	60.26	68.11	-11.53%	59.53	1.23%		
	Hog By-Product Value	$ per cwt, live wt	3.92	3.89	0.77%	3.11	26.05%		
C	Young Chicken Slaughter *	Million Head	163.9	155.9	5.10%	164.6	-0.44%	632	-0.7%
H	Avg. Weight (RTC)	Lbs.	4.70	4.68	0.32%	4.67	0.49%	6.23	0.9%
I	Young Chicken Production (RTC)	Million Lbs.	769.7	730.0	5.44%	769.4	0.05%	2,988	0.0%
C	Eggs Set (19-state)	Million	210.6	210.6	-0.01%	208.8	0.86%	842	1.0%
K	Chicks Placed (19-state)	Million Head	172.6	172.7	-0.06%	170.5	1.20%	690	1.4%
E	National Composite Whole Bird	Composite	83.56	83.36	0.24%	80.83	3.38%		
	Northeast Breast, B/S	$/cwt	104.36	104.36	0.00%	111.53	-6.43%		
	Northeast Leg Quarters	$/cwt	33.11	31.97	3.57%	26.36	25.61%		
T	Total Turkey Slaughter *	Million Head	4.314	3.874	11.36%	4.296	0.42%	16.118	-5.7%
U	Avg. Weight (RTC)	Lbs.	25.90	25.61	1.14%	25.74	0.62%	32.41	1.0%
R	Turkey Production (RTC)	Million Lbs.	111.7	99.2	12.63%	110.6	1.04%	421	-4.8%
K	National Hen (8-12 lb)	8-16 Lbs.	100.50	102.82	-2.26%	113.18	-11.20%		
G	Corn, Omaha	$ per Bushel	3.44	3.41	0.88%	3.29	4.56%		
R	Distillers Grain, Chicago	$ per Ton	105.00	102.50	2.44%	140.00	-25.00%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	3.81	3.69	3.25%	4.36	-12.61%		
I	Soybeans, Cntrl IL	$ per Bushel	10.24	10.34	-0.97%	8.86	15.58%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	330.00	341.40	-3.34%	276.60	19.31%		

* 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 due to reporting lag.