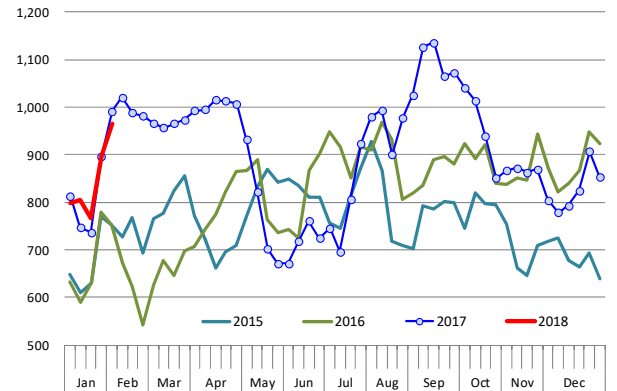


The sharp **correction in the equity market may wreak havoc with livestock futures trading today**. The main issue in our mind is what the correction in equities signifies. If the selloff signifies slower growth going forward, it could be problematic for strong demand assumptions built in current cattle/hog prices. On the other hand, if the selloff simply reflects a correction for an equity market that was getting a bit ahead of itself, then the demand implications are not as severe. Volatility has been quite high in recent months and that does not look like it will change. **A few other points looking at recent data:**

- **Beef sales data for last week show a modest slowdown but overall trends remain positive.** The four week average of beef loads sold for delivery in late February and March is in line with last year's pace and well above what we saw in 2015 and 2016. Retailers are still counting on selling more beef, which should help product movement in the near term.
- Data shows beef **packers had to purchase more cattle in the negotiated/spot market last week**. Per USDA, 123,700 cattle were bought in the domestic negotiated market, 28% of all cattle reported. This is the largest share since early November. Data shows that packers have fewer cattle purchased for forward delivery in February, March and April (see chart).
- Weekly **beef export sales were lower than the previous week but remain above year ago levels**. Beef export demand has been excellent to this point and the latest data offered further confirmation of that. The four week average of beef sold to all export markets currently is 11% higher than the previous year and 30% higher than the five year average.
- **Pork** weekly export sales are higher than a year ago although **sales have slowed down from the start of the year**. Importantly, USDA does not report pork export sales to NAFTA. Judging from the sharp decline in ham prices recently we would venture that exports to Mexico may not be holding up very well. But it is just speculation, we will need to wait for the Thursday report to get some visibility for that. Pork export sales to non-NAFTA countries last week were about steady vs. the same week last year but down by almost 40% compared to the previous three weeks.
- USDA will issue **today an update of December trade data for beef pork and chicken**. This will allow us to also calculate the overall volume and value of protein exports in 2017 and also update our projections for January/February.
- The **belly primal dropped by more than \$8 yesterday**. It is not unusual for belly prices to be volatile but the drop is not entirely surprising considering that bacon prices at retail have been marching higher. It was a matter of time before retail sales took a hit due to the rise in prices and thus impact the belly quantity demanded at wholesale. According to USDA retail feature activity data the average price of bacon at retail was \$5.17/lb., 17% higher than what it was in early December. This was the highest price of bacon at retail since early October.

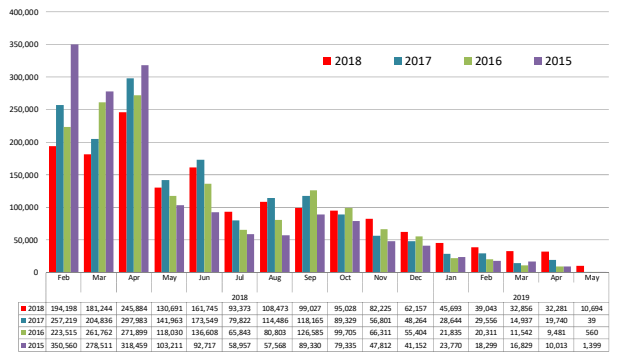
Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



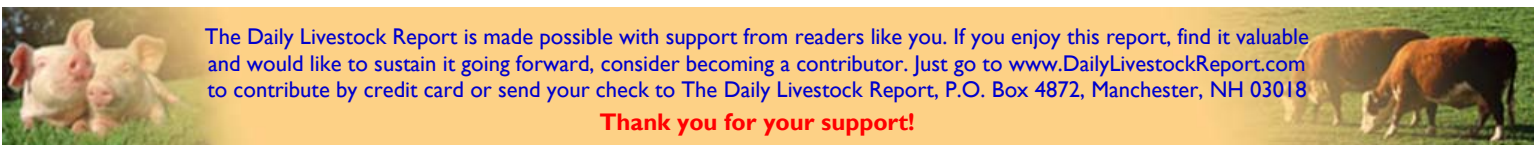
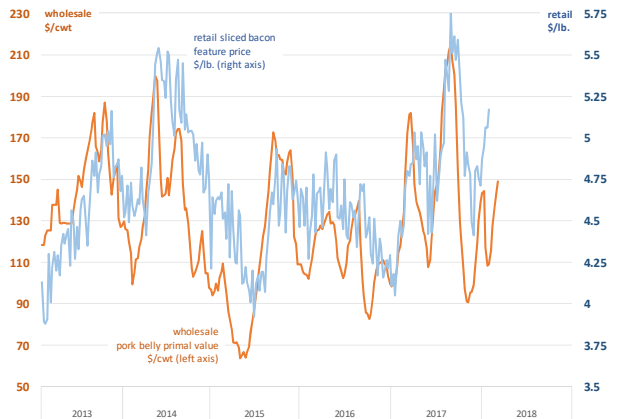
Cattle Forward Contracted for Delivery in a Given Month

Supply Cumulative as of February 5, 2018 and Comparable Period in Previous Year. Source: USDA MPR System



RETAIL BACON AVERAGE FEATURE PRICE VS. WHOLESALE PORK BELLY PRIMAL (6-WK LAG)

Feature Price From USDA Weekly Retail Report. Wholesale Price From USDA Mandatory Price Reporting System.



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