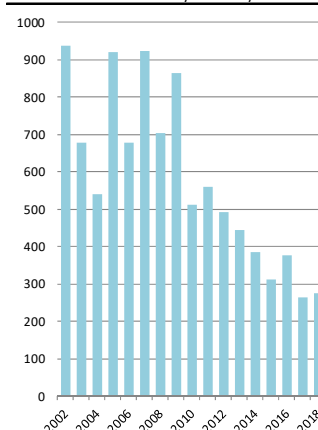


We'll focus on fed cattle and beef markets today and cover pork/hogs in our discussion tomorrow. Trading in both complexes has been quite volatile in the last few weeks (what's new) as market participants try to weigh the potential forward impact of increasing supplies and trade uncertainty with robust demand and a growing US economy.

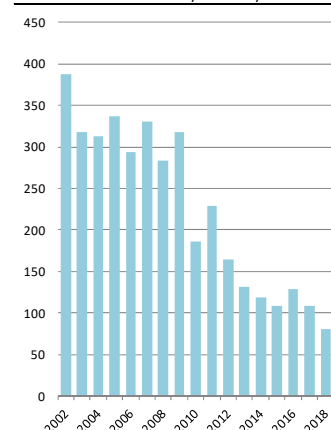
Fed cattle slaughter last week was 482,000 head, 3.5% higher than the previous year. This follows a rather disappointing marketing rate in February, when slaughter numbers fell short of expectations. Between February 4 and February 24 weekly fed cattle slaughter averaged 458,000 head per week, just 0.9% higher than the same period a year ago. Expectations were for fed slaughter during those weeks to be around 470-475k head. The slower marketings did not appear to have much of an impact on steer weights, which we think by the end of February were around 481-482 pounds vs. 478 pounds the same period a year ago. Feedlots appear to be current but the marketing rate needs to pick up as we go into the spring and avoid a buildup of market ready cattle in late spring and early summer. Packer margins have improved dramatically, which should provide an incentive for packers to pick up the slaughter pace. And with spring around the corner both retail and foodservice demand shows signs of improvement. Our estimate of the packer gross margin for the past week surged over \$300/head (remember this is gross margin) compared to \$189/head a year ago and \$119 for the five year average. We think fed cattle slaughter on Monday was around 95,000 head and we are on pace to hit 493,000 head for the week. If that happens, it would represent a 5% increase vs. year ago and back on trend.

The price of beef at the wholesale level has surpassed expectations. The average comprehensive beef cutout last week was \$216.8/cwt, 8.5% higher than a year ago. Some of this is due to the cumulative effect of relatively tight slaughter numbers in February. Seasonally it is also normal for wholesale beef prices to increase in the first half of March. Memories of the beef price spike last spring are still fresh for some end users and we have seen prices for some items increase faster than normal as users look to get ahead of the market. While this tends to support prices in the near term, the jury is still out as far as demand is concerned. End users may secure supplies a bit earlier than they normally need it but you still have to sell the meat. If those sales to pan out as expected, then users are left with more inventory, which could then pressure prices lower. We are not saying that's what will happen, just that it's the risk the market faces if users overestimate demand. For now there is not much product trading in the open market and packers have been successful in extracting higher prices. It appears ground beef movement is quite good, with very little product hitting the open market. According to USDA, only 80.8 loads of ground beef were sold in the negotiated market last week compared to over 100 for the same week last year and an average of 125 for the last five years, when slaughter was much smaller.

CHOICE LOADS SOLD IN NEG. MARKET. WEEK 9
Source: USDA AMS. Weekly Summary

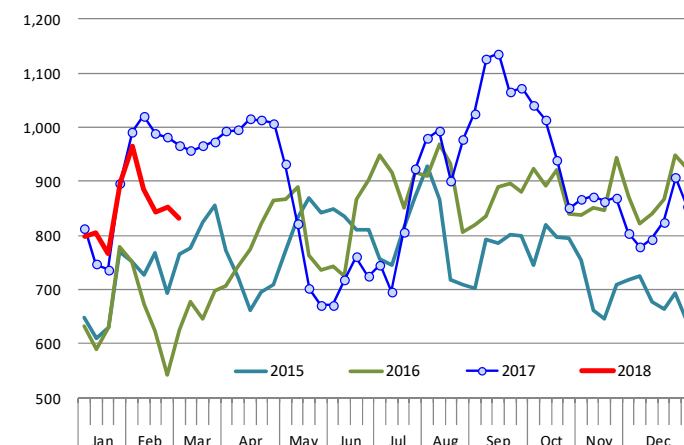


GROUND BEEF LOADS SOLD IN NEG. MARKET. WEEK 9
Source: USDA AMS. Weekly Summary

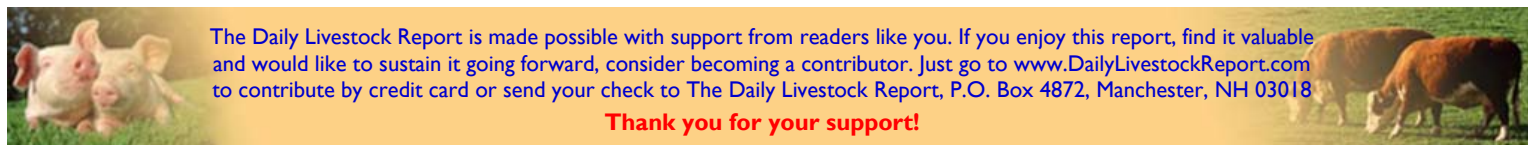


Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



In the short term, the combination of light fed cattle slaughter and improving seasonal demand has limited the amount of beef packers have to sell in the open market, supporting wholesale prices. But recent data also shows that forward sales are slowing down, with the latest report showing 725 loads sold for delivery 22-60 days forward. In the past four weeks forward sales for this window averaged 832 loads/week, 14% less than a year ago (see chart). With less beef sold forward and increasing fed slaughter we should see more beef available in the spot market. So far beef demand has been excellent but it remains a critical factor going forward, especially as more market cattle become available for marketing in April, May and June.



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Daily Livestock Report

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Vol. 16, No. 46 / March 6, 2018

PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **3/3/2018**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

| Item | Units | Current Week | Last Week | Pct. Change | Last Year | Pct. Change | YTD | Y/Y % Change |
|--|----------------------|--------------|--------------|-------------|--------------|-------------|---------------|--------------|
| | | 3-Mar-18 | 24-Feb-18 | | 4-Mar-17 | | | |
| Total Beef, Pork, Chicken, Turkey | mil lbs., cwe | 1,878 | 1,854 | 1.31% | 1,823 | 3.03% | 15,741 | 1.4% |
| C Fl Slaughter | Thou. Head | 608 | 572 | 6.29% | 586 | 3.71% | 5,348 | 2.5% |
| C Fl Cow Slaughter ** | Thou. Head | 121 | 119 | 1.71% | 114 | 6.85% | 843 | 6.2% |
| T Avg. Dressed Weight | Lbs. | 826 | 827 | -0.12% | 819 | 0.85% | 826 | 0.6% |
| T Beef Production | Million Lbs. | 500.8 | 472.1 | 6.08% | 479.2 | 4.51% | 4,418 | 3.1% |
| L Live Fed Steer Price | \$ per cwt | 126.80 | 127.95 | -0.90% | 124.76 | 1.64% | | |
| E Dressed Fed Steer Price | \$ per cwt | 204.30 | 204.69 | -0.19% | 199.98 | 2.16% | | |
| O Oklahoma Steer (600-700 lbs) | \$ per cwt | 163.61 | 165.04 | -0.86% | 143.57 | 13.97% | | |
| & Choice Beef Cutout | \$ per cwt | 221.18 | 216.53 | 2.15% | 205.86 | 7.44% | | |
| H Hide/Offal | \$ per cwt, live wt | 10.23 | 10.26 | -0.29% | 11.93 | -14.25% | | |
| B Rib Primal, Choice | \$ per cwt | 354.83 | 345.54 | 2.69% | 305.22 | 16.25% | | |
| E Round Primal, Choice | \$ per cwt | 176.23 | 175.66 | 0.32% | 179.60 | -1.88% | | |
| E Chuck Primal, Choice | \$ per cwt | 181.29 | 179.33 | 1.09% | 164.68 | 10.09% | | |
| F Trimmings, 50% | \$ per cwt | 83.09 | 83.36 | -0.32% | 83.29 | -0.24% | | |
| F Trimmings, 90% | \$ per cwt | 216.99 | 217.01 | -0.01% | 211.55 | 2.57% | | |
| H Fl Slaughter | Thou. Head | 2,417 | 2,389 | 1.17% | 2,316 | 4.36% | 21,271 | 2.3% |
| H Fl Sow Slaughter ** | Thou. Head | 59.3 | 59.9 | -0.91% | 57.6 | 2.94% | 407 | 2.5% |
| H Avg. Dressed Weight | Lbs. | 214.0 | 214.0 | 0.00% | 212.0 | 0.94% | 214 | 0.5% |
| O Pork Production | Million Lbs. | 516.2 | 510.6 | 1.10% | 491.6 | 5.00% | 4,547 | 2.8% |
| G Iowa-S. Minn. Base | Wtd. Avg. | 62.16 | 64.22 | -3.21% | 68.36 | -9.07% | | |
| S Natl. Base Carcass Price | Wtd. Avg. | 67.67 | 68.71 | -1.51% | 70.78 | -4.39% | | |
| S Natl. Net Carcass Price | Wtd. Avg. | 69.71 | 70.78 | -1.51% | 73.23 | -4.81% | | |
| P Pork Cutout | 205 Lbs. | 78.55 | 79.00 | -0.57% | 80.96 | -2.98% | | |
| H Ham Primal | \$ per cwt | 62.78 | 60.22 | 4.25% | 55.52 | 13.08% | | |
| L Loin Primal | \$ per cwt | 73.99 | 73.67 | 0.43% | 79.03 | -6.38% | | |
| B Belly Primal | \$ per cwt | 124.51 | 131.33 | -5.19% | 147.84 | -15.78% | | |
| T Trimmings, 72%, Fresh | \$ per cwt | 62.18 | 62.42 | -0.38% | 65.27 | -4.73% | | |
| H Hog By-Product Value | \$ per cwt, live wt | 3.72 | 3.74 | -0.53% | 3.99 | -6.77% | | |
| C Young Chicken Slaughter * | Million Head | 162.3 | 163.5 | -0.76% | 160.2 | 1.32% | 1,262 | -1.1% |
| H Avg. Weight (RTC) | Lbs. | 4.68 | 4.67 | 0.16% | 4.67 | 0.16% | 6.18 | 0.2% |
| I Young Chicken Production (RTC) | Million Lbs. | 759.7 | 764.2 | -0.60% | 748.6 | 1.48% | 5,927 | -0.8% |
| C Eggs Set (19-state) | Million | 0.0 | 228.0 | NA | 223.2 | NA | 1,807 | 2.3% |
| K Chicks Placed (19-state) | Million Head | 0.0 | 181.1 | NA | 179.5 | NA | 1,448 | 1.2% |
| E National Composite Whole Bird | Composite | 91.42 | 91.00 | 0.46% | 86.56 | 5.61% | | |
| N Northeast Breast, B/S | \$/cwt | 105.4 | 105.32 | 0.08% | 121.67 | -13.37% | | |
| N Northeast Leg Quarters | \$/cwt | 38.56 | 40.66 | -5.16% | 35.23 | 9.45% | | |
| T Total Turkey Slaughter * | Million Head | 3.950 | 4.291 | -7.95% | 4.168 | -5.23% | 32.815 | 1.2% |
| U Avg. Weight (RTC) | Lbs. | 25.70 | 24.93 | 3.08% | 24.85 | 3.41% | 32.17 | 0.0% |
| R Turkey Production (RTC) | Million Lbs. | 101.5 | 107.0 | -5.12% | 103.6 | -2.00% | 849 | 1.2% |
| K National Hen (8-12 lb) | 8-16 Lbs. | 77.38 | 75.43 | 2.59% | 101.50 | -23.76% | | |
| G Corn, Omaha | \$ per Bushel | 3.60 | 3.48 | 3.45% | 3.38 | 6.51% | | |
| R Distillers Grain, Chicago | \$ per Ton | 155.00 | 155.00 | 0.00% | 100.00 | 55.00% | | |
| A Wheat, Kansas City (deliv.) | \$ per Bushel | 5.24 | 4.64 | 12.93% | 4.20 | 24.76% | | |
| I Soybeans, Cntrl IL | \$ per Bushel | 10.46 | 10.20 | 2.55% | 10.18 | 2.75% | | |
| N Soybn Meal 48%, Cntrl IL | \$ per Ton | 397.70 | 380.40 | 4.55% | 330.80 | 20.22% | | |

* 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. YTD still references 2017.

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