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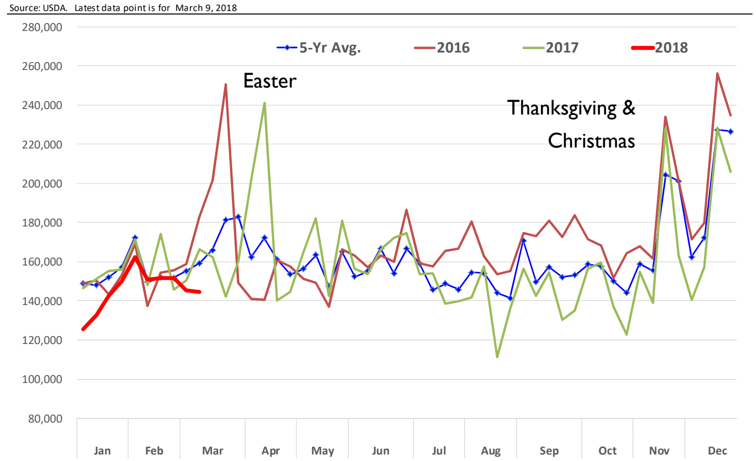
Higher hog and pork supplies and underwhelming retail feature activity appear to have caught up with the pork market and wholesale values have come under significant pressure. Two weeks ago the pork cutout value was quoted at around $80/cwt and spring hog prices appeared to be on a solid footing. On Friday afternoon USDA quoted the pork cutout value at $73.43/cwt, a 9% decline from two weeks ago and now 10% lower than the same period a year ago. The rapid value erosion has caught some by surprise although one could argue that current price are more in line with what one could expect from the y/y increase in hog/pork supplies. Hog slaughter for the week was 2.410 million head, 4% higher than a year ago. In the last three weeks hog slaughter has averaged 2.4 million head, 4.4% higher than the same period a year ago. By contrast, weekly hog slaughter in January and the first half of February averaged only 1.5% above year ago levels. **The supply impact from higher slaughter has been further exacerbated by heavier weights**. According to the USDA Mandatory Price Reporting data, the average weight of barrows and gilts at the end of last week was approaching 215 pounds per carcass, 1% higher than the same period a year ago. The table on page 2 shows average hog weights at 214 pounds but this is based on a USDA estimate and we think the number will be revised higher when USDA publishes actual data two weeks from now. The bottom line is that **pork production is running at +5% for the last three weeks and lower prices are necessary to push all this product through domestic and export channels.** Exports have been quite robust so far and we expect they will continue to expand thanks to a weaker US dollar and, more importantly, a very competitive situation for US pork in world markets. Pork retail activity, however, has not been as strong as a year ago. Seasonally pork retail features tend to be low in the first two months of the year. Weekly USDA data shows pork retail feature activity through March 9 is down 7% compared to a year ago and 6% lower than the five year average.

Beef supply growth has been rather muted, which has supported the value of the beef cutout but has also created some uneasiness about feedlot currentness in Q2. Total cattle slaughter last week was estimated at 597,000 head, only 0.4% higher than a year ago. In the last three weeks cattle slaughter has averaged 592,000 head, 1.2% higher than a year ago. Fed cattle slaughter in the last three weeks has averaged 466,000 head per week, only 0.6% higher than a year ago and lower than expected based on feedlot inventories. Average cattle weights so far have been pretty close to year ago levels. The actual weight data released by USDA on Thursday reflects the situation two weeks ago but our analysis of cattle weights reported in the Mandatory Price Reporting shows that steer weights remain fairly close to last year's levels. While currentness may become an issue down the road, for now feedlot appear to be in good shape and reflected in the firm spot market.

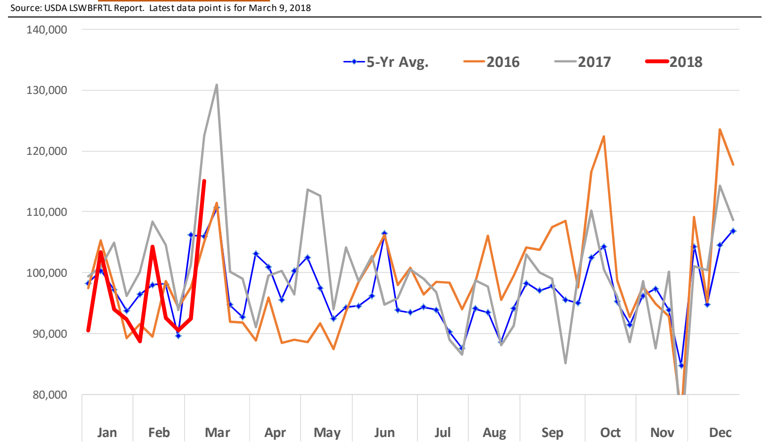
NATIONAL RETAIL PORK FEATURES REPORT: ACTIVITY INDEX

Source: USDA. Latest data point is for March 9, 2018



NATIONAL RETAIL BEEF FEATURE REPORT: ACTIVITY INDEX

Source: USDA LSWBFRTL Report. Latest data point is for March 9, 2018



Strong packer margins should continue to support a robust marketing rate in March, thanks in part to strong export sales but also very good retail feature activity. Feature activity for week ending March 9 was modestly behind the torrid pace set last year but sill ahead of the five year average. It will be interesting to see how aggressively retailers continue to feature beef in the spring. Forward sales have slowed down a bit, which is cause for concern. At the same time, it appears to us that retailers and foodservice operators are intent on capitalizing on the expanding beef supply and feature more beef in order to drive traffic. From a beef demand perspective, the +313k jobs added in February are a particularly supportive number.

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PRODUCTION & WKLY AVG. PRICE SUMMARY Week Ending 3/10/2018

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
			10-Mar-18	3-Mar-18		11-Mar-17			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,855**	**1,878**	-1.21%	**1,834**	1.15%	**17,598**	1.4%
	FI Slaughter	Thou. Head	597	608	-1.81%	595	0.38%	5,948	2.4%
C	FI Cow Slaughter **	Thou. Head	117	121	-3.30%	110	6.46%	960	6.3%
T	Avg. Dressed Weight	Lbs.	824	826	-0.24%	821	0.37%	825	0.5%
T	Beef Production	Million Lbs.	490.7	500.8	-2.02%	487.1	0.74%	4,909	2.9%
L	Live Fed Steer Price	$ per cwt	126.76	126.76	0.00%	125.23	1.22%		
E	Dressed Fed Steer Price	$ per cwt	203.84	204.21	-0.18%	201.56	1.13%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	164.93	163.61	0.80%	146.03	12.94%		
&	Choice Beef Cutout	$ per cwt	223.63	221.18	1.11%	214.12	4.44%		
	Hide/Offal	$ per cwt, live wt	10.24	10.23	0.10%	11.91	-14.02%		
B	Rib Primal, Choice	$ per cwt	361.96	354.83	2.01%	317.83	13.88%		
E	Round Primal, Choice	$ per cwt	173.72	176.23	-1.42%	181.31	-4.19%		
E	Chuck Primal, Choice	$ per cwt	180.81	181.29	-0.26%	165.22	9.44%		
F	Trimmings, 50%	$ per cwt	84.23	83.09	1.37%	93.02	-9.45%		
	Trimmings, 90%	$ per cwt	217.54	216.99	0.25%	213.54	1.87%		
	FI Slaughter	Thou. Head	2,410	2,417	-0.29%	2,318	3.95%	23,684	2.5%
	FI Sow Slaughter **	Thou. Head	57.4	59.3	-3.19%	57.5	-0.09%	465	2.2%
H	Avg. Dressed Weight	Lbs.	214.0	214.0	0.00%	212.0	0.94%	214	0.6%
O	Pork Production	Million Lbs.	514.8	516.2	-0.27%	492.3	4.57%	5,064	3.0%
G	Iowa-S. Minn. Base	Wtd. Avg.	62.72	62.13	0.95%	68.14	-7.95%		
S	Natl. Base Carcass Price	Wtd. Avg.	66.81	67.39	-0.86%	69.71	-4.16%		
	Natl. Net Carcass Price	Wtd. Avg.	68.87	69.44	-0.82%	72.13	-4.52%		
	Pork Cutout	205 Lbs.	75.73	78.55	-3.59%	81.79	-7.41%		
	Ham Primal	$ per cwt	61.43	62.78	-2.15%	58.88	4.33%		
	Loin Primal	$ per cwt	74.41	73.99	0.57%	81.08	-8.23%		
	Belly Primal	$ per cwt	109.63	124.51	-11.95%	139.26	-21.28%		
	Trimmings, 72%, Fresh	$ per cwt	64.39	62.18	3.55%	67.54	-4.66%		
	Hog By-Product Value	$ per cwt, live wt	3.74	3.72	0.54%	4.02	-6.97%		
C	Young Chicken Slaughter *	Million Head	159.5	162.3	-1.71%	159.1	0.24%	1,421	-1.0%
H	Avg. Weight (RTC)	Lbs.	4.66	4.68	-0.49%	4.67	-0.33%	6.17	0.2%
I	Young Chicken Production (RTC)	Million Lbs.	743.1	759.7	-2.18%	743.8	-0.09%	6,670	-0.8%
C	Eggs Set (19-state)	Million	0.0	227.4	NA	223.4	NA	2,034	2.2%
K	Chicks Placed (19-state)	Million Head	0.0	181.1	NA	181.1	NA	1,629	1.1%
E	National Composite Whole Bird	Composite	93.96	91.42	2.78%	93.04	0.99%		
	Northeast Breast, B/S	$/cwt	110.88	105.4	5.20%	124.52	-10.95%		
	Northeast Leg Quarters	$/cwt	38.56	38.56	0.00%	37.8	2.01%		
T	Total Turkey Slaughter *	Million Head	4.246	3.95	7.49%	4.346	-2.30%	37.061	0.8%
U	Avg. Weight (RTC)	Lbs.	25.17	25.70	-2.04%	25.57	-1.55%	32.07	-0.1%
R	Turkey Production (RTC)	Million Lbs.	106.9	101.5	5.30%	111.1	-3.81%	956	0.6%
K	National Hen (8-12 lb)	8-16 Lbs.	79.69	77.38	2.99%	102.00	-21.87%		
G	Corn, Omaha	$ per Bushel	3.68	3.60	2.22%	3.23	13.93%		
R	Distillers Grain, Chicago	$ per Ton	165.00	155.00	6.45%	97.50	69.23%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	5.11	5.24	-2.48%	4.04	26.49%		
I	Soybeans, Cntrl IL	$ per Bushel	10.36	10.46	-0.96%	9.96	4.02%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	386.40	397.70	-2.84%	324.50	19.08%		

* 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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