

Pork, beef and chicken production continues to run significantly above year ago levels, in part because packer margins remain in excellent shape as retail demand has been quite strong. **But it is important to remember that there are a lot of animals on the ground and that supply cannot simply be turned off.** At the start of the year US beef, pork and poultry producers were looking to capitalize on the shortfall in global protein supplies and strong demand from China thanks to the Phase 1 deal. The inventory of market hogs on December 1 was estimated at 70.9 million head 3.1% higher than the previous year and 5.8% higher than two years ago. Given the number of hogs that have come to market during the last three months, that estimate was on the lower end. Cattle inventories on January 1 were estimated at 94.413 million head, slightly lower than a year ago but still about 5.2 million head larger than in 2015. **The inventory of calves under 500 pounds on January 1 was 14.739 million head, 1.4% higher than a year ago and the highest in a decade.** Finally, broiler producers also have expanded the size of the broiler hatchery flock, currently pegged at 61.124 million, 3.2% higher than a year ago and **the highest broiler hatchery supply on record.**

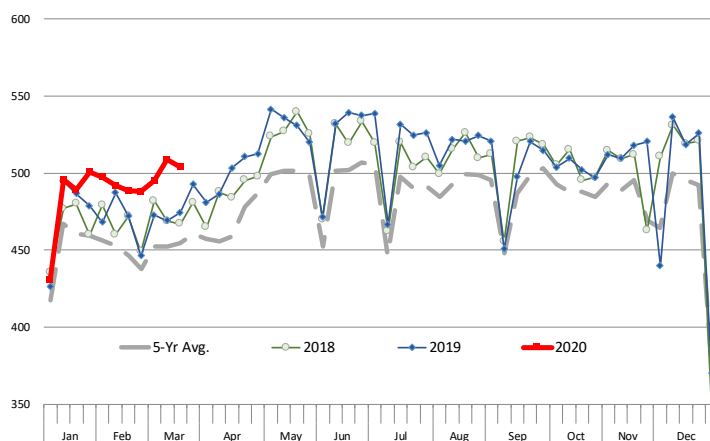
Hog and cattle futures have collapsed in the last two weeks. Part of that may be money flow. The other part could be **the extreme risk that demand/supply fundamentals that were quite robust in the first two months of the year may/could/will change quite rapidly in the next few weeks.** The April hog contract will expire a month for now and futures are trading potential prices for that time. Similarly the fed cattle contract will expire at the end of April, leaving plenty of time and risk on the table. As we have noted in the last few days/weeks, demand is a critical risk. Across the country major metropolitan areas are asking restaurants and bars to stop serving dine-in customers but drive thru, delivery and pickup is still allowed. This is devastating for family style restaurants and fine dining. But there will be a significant impact on fast food and quick causal as well. As more people work from home and hunker down on weekends, this will tend to limit traffic thru drive thrus and pickup orders. One of the main sources of income for fast food is the breakfast and lunch business, which in turn is driven by people short on time looking to grab a quick meal. A lot of that is changing, and quickly. It is difficult to know if even more drastic measures will be needed in order to slow down the progress of the virus. One thing to also remember is that we have yet to see the effect of the changes that are just now taking place. A lot of distributors that serve restaurants have yet to see the order flows drop off but that will likely change in the next two weeks. Once that happens, the order flows from distributors to the processors and then back to the packers will also start to be impacted. Just like in a traffic jam, some cars may be going at speed as they approach the accident but eventually it will all slow down.

The bigger risk is the damage this all will do to the economy.

Economic data has yet to catch up with what's happening but the crash in the equity market is a clear indicator that markets think we are heading for

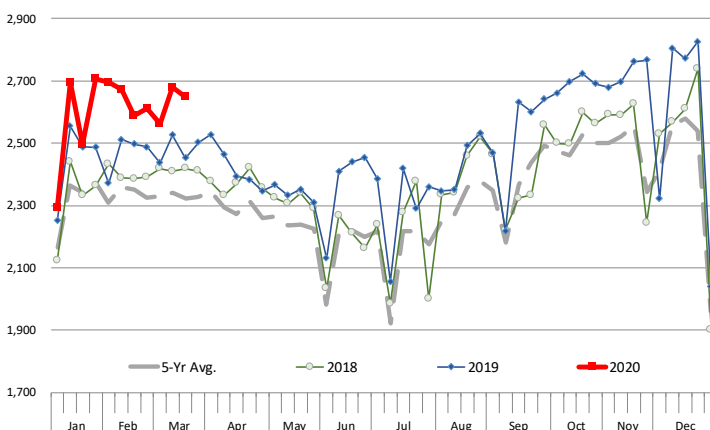
WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD

Source: USDA



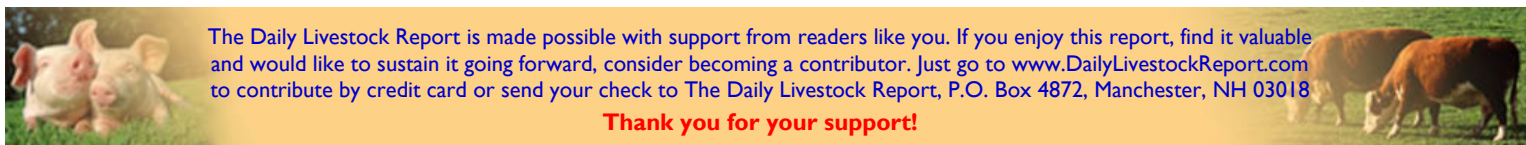
WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA. Analysis by Steiner Consulting



a major contraction in output. How long that continues will depend on the path of the virus and how long it will be necessary to maintain draconian social isolation measures.

The demand risk is big but there is also a supply flow risk that is impossible to know at this time. Will there be disruptions to processing of cattle, hogs and poultry. There are people that get up every day and work in those plants and they are vulnerable the same as everyone else. Then there is the entire transportation network that services those plants. There are significant risks that we face in the coming weeks and months. While eventually we will persevere, it will not be easy and it will not be cheap.



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **3/14/2020**

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
		14-Mar-20	7-Mar-20		16-Mar-19			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	2,000	2,029	-1.45%	1,864	7.27%	20,592	5.4%
C FI Slaughter	Thou. Head	630	647	-2.63%	608	3.67%	6,670	1.8%
C FI Cow Slaughter **	Thou. Head	124	129	-3.65%	127	-2.79%	1,157	4.1%
T Avg. Dressed Weight	Lbs.	832	831	0.12%	801	3.87%	827	1.9%
T Beef Production	Million Lbs.	522.5	536.6	-2.63%	485.5	7.62%	5,519	3.7%
L Live Fed Steer Price	\$ per cwt	109.35	113.17	-3.38%	127.14	-13.99%		
E Dressed Fed Steer Price	\$ per cwt	174.20	180.80	-3.65%	204.25	-14.71%		
& Oklahoma Steer (600-700 lbs)	\$ per cwt	140.93	150.61	-6.43%	152.77	-7.75%		
& Choice Beef Cutout	\$ per cwt	207.15	206.94	0.10%	227.70	-9.03%		
B Hide/Offal	\$ per cwt, live wt	8.54	8.75	-2.40%	9.06	-5.74%		
B Rib Primal, Choice	\$ per cwt	332.01	331.09	0.28%	372.92	-10.97%		
E Round Primal, Choice	\$ per cwt	179.27	179.60	-0.18%	182.84	-1.95%		
E Chuck Primal, Choice	\$ per cwt	166.38	164.94	0.87%	181.14	-8.15%		
F Trimmings, 50%	\$ per cwt	54.90	60.05	-8.58%	79.12	-30.61%		
F Trimmings, 90%	\$ per cwt	223.28	224.02	-0.33%	216.25	3.25%		
H FI Slaughter	Thou. Head	2,648	2,680	-1.19%	2,453	7.96%	27,755	4.1%
H FI Sow Slaughter **	Thou. Head	63.9	58.8	8.72%	58.2	9.74%	551	7.4%
H Avg. Dressed Weight	Lbs.	215.0	215.0	0.00%	214.0	0.47%	216	0.4%
O Pork Production	Million Lbs.	569.5	576.8	-1.27%	524.3	8.62%	5,984	4.5%
G Iowa-S. Minn. Base	Wtd. Avg.	53.02	50.61	4.76%	50.71	4.56%		
S Natl. Base Carcass Price	Wtd. Avg.	60.37	59.46	1.53%	56.86	6.17%		
S Natl. Net Carcass Price	Wtd. Avg.	62.28	61.36	1.50%	58.83	5.86%		
S Natl. Early Wean Feeder	Wtd. Avg.	33.55	35.55	-5.63%	41.82	-19.78%		
S Pork Cutout	205 Lbs.	68.75	66.45	3.46%	67.92	1.22%		
S Ham Primal	\$ per cwt	56.32	60.61	-7.08%	53.40	5.47%		
S Loin Primal	\$ per cwt	70.96	67.31	5.42%	63.11	12.44%		
S Belly Primal	\$ per cwt	84.56	74.63	13.31%	123.53	-31.55%		
S Trimmings, 72%, Fresh	\$ per cwt	68.94	63.52	8.53%	51.37	34.20%		
S Hog By-Product Value	\$ per cwt, live wt	3.60	3.59	0.28%	3.30	9.09%		
C Young Chicken Slaughter *	Million Head	170.3	170.7	-0.28%	160.3	6.24%	1,685	5.4%
H Avg. Weight (RTC)	Lbs.	4.69	4.72	-0.64%	4.68	0.16%	6.26	1.9%
I Young Chicken Production (RTC)	Million Lbs.	798.4	805.9	-0.92%	750.3	6.42%	8,015	7.6%
C Eggs Set (19-state)	Million	241.1	238.4	1.11%	230.8	4.44%	2,389	4.1%
K Chicks Placed (19-state)	Million Head	190.9	190.4	0.31%	183.5	4.07%	1,904	4.2%
E National Composite Whole Bird	Composite	80.33	76.58	4.90%	92.00	-12.68%		
E Northeast Breast, B/S	\$/cwt	104.5	100.07	4.43%	110.07	-5.06%		
E Northeast Leg Quarters	\$/cwt	35.46	37.03	-4.24%	39.3	-9.77%		
T Total Turkey Slaughter *	Million Head	4.174	4.201	-0.64%	3.949	5.70%	40.142	2.7%
U Avg. Weight (RTC)	Lbs.	26.18	26.14	0.16%	26.37	-0.70%	33.31	-0.5%
R Turkey Production (RTC)	Million Lbs.	109.3	109.8	-0.48%	104.1	4.96%	1,075	2.4%
K National Hen (8-12 lb)	8-16 Lbs.	99.14	100.69	-1.54%	84.00	18.02%		
G Corn, Omaha	\$ per Bushel	3.56	3.78	-5.82%	3.63	-1.93%		
R Soybeans, Cntrl IL	\$ per Bushel	8.69	9.05	-3.98%	8.66	0.35%		
A Soybn Meal 48%, Cntrl IL	\$ per Bushel	304.30	305.40	-0.36%	308.90	-1.49%		
I Distillers Grain, IL	\$ per Bushel	162.50	162.50	0.00%	155.00	4.84%		

* Chicken & turkey slaughter. Production, egg sets 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.

