Daily Livestock Report

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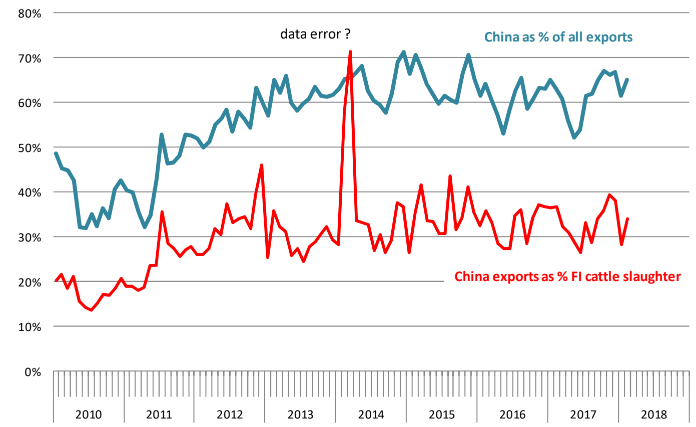
<u>The proposed higher Chinese tariffs on US beef will have a minimal immediate impact since we export very little beef into mainland China</u>. There was a lot of hope about expanding those exports in the coming years and the higher tariffs could make that more difficult, especially considering strong competition on value from South American markets. Additionally, **<u>at this point it does not appear that China will impose a higher tariff on US cattle hides, at least following our reading of the second list</u>.** However, should the trade "skirmish" with China expand, it is possible that hides will be included in future lists. See link below for list (its in Chinese).

China is the largest global buyer of US cattle hides and those purchases also represent a significant portion of US hide production. USDA reports hide exports both in terms of units sold (i.e. whole hides) and the value of those sales. The latest data available is for February and it shows total hide sales for the month were 809,895 pieces, 5% less than a year ago. The value of those hide sales was reported at $45.2 million, which puts the average price per piece at around $56/hide, pretty close to USDA quoted prices. Total US bovine hide exports in February were 1,245,398 pieces, 7.9% less than a year ago. In the first two months of this year China has accounted for about 63% of all the bovine hides that have gone into export markets. Please keep in mind this is for whole hides that meet weight specs. There are some additional hide exports but the volume is relatively small. US bovine hide exports to China in 2017 were near 10.6 million pieces, 61.7% of all US exports. But accounting for a large share of exports may not mean much if those exports are a small share of domestic production. Leather markets are global and the US is a key supplier due to its quality and consistency. As the global economy continues to expand, demand for leather goods, be this for consumer products or automobiles, has continued to expand. The red line in the top chart shows the ratio of US hide exports to China vs. federally inspected slaughter. In other words, how many whole hides went to exports relative to the number of feedlot cattle that were slaughtered during that month. In the last five years the ratio has been around 33% while overall hide exports have accounted a little over half of FI cattle slaughtered.

The hide represented the single most valuable by-product that packers derive from animals they slaughter. USDA reports cattle by-product values (also called drop credit) every week. The chart to the right illustrates the breakdown of the various product relative to the contribution of each item to the overall credit. According to USDA, for the week ending April 6 the drop credit was $9.80/cwt live. On a 1400 pound steer this implies a total drop credit of $137. The value of whole butt branded hides was quoted at $58/piece, making up 44% of the entire by-product value. At this point it is speculative as to the impact of a future Chinese tariff on hides. But consider that based on current values, a 25% drop in the value of hides would lower the derived value from the hide by about $14.5/head or about $1/cwt live basis. Current fed cattle price is about $115/cwt live basis.

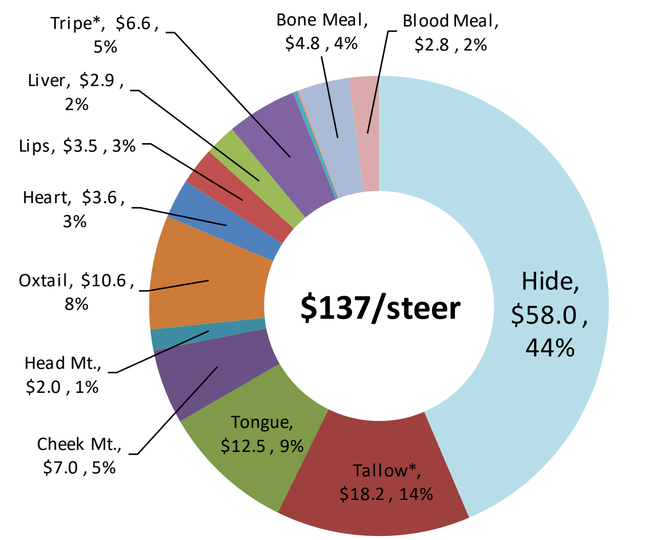
<u>China Hide Purchases (pieces)</u> as a % of Total Exports and % of Total Steer/Heifer Slaughter

Data Source: USDA-FAS. Calculations by Steiner



Steer Drop Credit: Week ending April 6, 2018

Source: USDA-AMS. Calculations by Steiner. Assumes 1400 lb. Steer



* Includes more than one item for this category.

The full list of products that may be subjected to a 25% tariff as part of the second round of tariffs as published in Chinese government website:

www.gov.cn/xinwen/2018-04/04/content_5280197.htm#4

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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending 4/7/2018

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
			7-Apr-18	31-Mar-18		8-Apr-17			
	Total Beef, Pork, Chicken, Turkey	**mil lbs., cwe**	**1,834**	**1,837**	-0.17%	**1,804**	1.66%	**25,011**	1.5%
	FI Slaughter	Thou. Head	615	594	3.54%	578	6.42%	8,374	2.2%
C	FI Cow Slaughter **	Thou. Head	120	124	-3.06%	112	7.41%	1,444	7.3%
T	Avg. Dressed Weight	Lbs.	820	822	-0.24%	802	2.24%	823	0.6%
T	Beef Production	Million Lbs.	502.9	487.1	3.24%	462.4	8.76%	6,891	2.9%
L	Live Fed Steer Price	$ per cwt	116.33	120.96	-3.83%	124.33	-6.43%		
E	Dressed Fed Steer Price	$ per cwt	187.65	192.32	-2.43%	198.01	-5.23%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	152.38	155.75	-2.17%	147.32	3.43%		
&	Choice Beef Cutout	$ per cwt	217.41	221.72	-1.94%	209.99	3.53%		
	Hide/Offal	$ per cwt, live wt	9.98	10.10	-1.19%	11.93	-16.35%		
B	Rib Primal, Choice	$ per cwt	359.82	365.34	-1.51%	339.39	6.02%		
E	Round Primal, Choice	$ per cwt	166.21	169.86	-2.15%	164.65	0.95%		
E	Chuck Primal, Choice	$ per cwt	174.08	178.07	-2.24%	160.53	8.44%		
F	Trimmings, 50%	$ per cwt	92.46	85.47	8.18%	101.49	-8.90%		
	Trimmings, 90%	$ per cwt	217.48	217.61	-0.06%	217.99	-0.23%		
	FI Slaughter	Thou. Head	2,335	2,391	-2.34%	2,318	0.75%	33,240	2.5%
	FI Sow Slaughter **	Thou. Head	60.4	60.4	-0.02%	59.1	2.17%	702	1.8%
H	Avg. Dressed Weight	Lbs.	214.0	214.0	0.00%	213.0	0.47%	214	0.7%
O	Pork Production	Million Lbs.	500.3	512.4	-2.36%	493.7	1.34%	7,114	3.2%
G	Iowa-S. Minn. Base	Wtd. Avg.	45.68	49.41	-7.55%	60.18	-24.09%		
S	Natl. Base Carcass Price	Wtd. Avg.	57.19	59.67	-4.16%	64.28	-11.03%		
	Natl. Net Carcass Price	Wtd. Avg.	59.24	61.80	-4.14%	66.67	-11.14%		
	Pork Cutout	205 Lbs.	69.60	70.29	-0.98%	75.13	-7.36%		
	Ham Primal	$ per cwt	52.96	52.73	0.44%	55.43	-4.46%		
	Loin Primal	$ per cwt	68.49	70.75	-3.19%	74.55	-8.13%		
	Belly Primal	$ per cwt	102.61	101.38	1.21%	125.08	-17.96%		
	Trimmings, 72%, Fresh	$ per cwt	58.48	59.06	-0.98%	66.37	-11.89%		
	Hog By-Product Value	$ per cwt, live wt	3.63	3.70	-1.89%	3.97	-8.56%		
C	Young Chicken Slaughter *	Million Head	158.7	157.5	0.78%	159.6	-0.59%	2,057	-0.9%
H	Avg. Weight (RTC)	Lbs.	4.67	4.67	0.00%	4.64	0.82%	6.17	0.6%
I	Young Chicken Production (RTC)	Million Lbs.	741.7	736.0	0.78%	740.1	0.22%	9,654	-0.2%
C	Eggs Set (19-state)	Million	0.0	227.1	NA	223.1	NA	2,943	2.1%
K	Chicks Placed (19-state)	Million Head	0.0	182.8	NA	181.5	NA	2,360	1.0%
E	National Composite Whole Bird	Composite	108.74	108.59	0.14%	97.41	11.63%		
	Northeast Breast, B/S	$/cwt	142.3	149.16	-4.60%	129.11	10.22%		
	Northeast Leg Quarters	$/cwt	39.89	41.21	-3.20%	40.61	-1.77%		
T	Total Turkey Slaughter *	Million Head	3.416	4.048	-15.61%	4.183	-18.34%	52.591	-1.9%
U	Avg. Weight (RTC)	Lbs.	26.00	25.02	3.92%	25.74	1.01%	31.97	-0.1%
R	Turkey Production (RTC)	Million Lbs.	88.8	101.3	-12.31%	107.7	-17.51%	1,352	-2.1%
K	National Hen (8-12 lb)	8-16 Lbs.	79.50	73.50	8.16%	99.05	-19.74%		
G	Corn, Omaha	$ per Bushel	3.69	3.66	0.82%	3.26	13.19%		
R	Distillers Grain, Chicago	$ per Ton	165.00	165.00	0.00%	97.50	69.23%		
A	Wheat, Kansas City (deliv.)	$ per Bushel	4.97	4.57	8.75%	3.78	31.48%		
I	Soybeans, Cntrl IL	$ per Bushel	10.14	10.19	-0.49%	9.29	9.15%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	386.60	387.50	-0.23%	302.20	27.93%		

* 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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