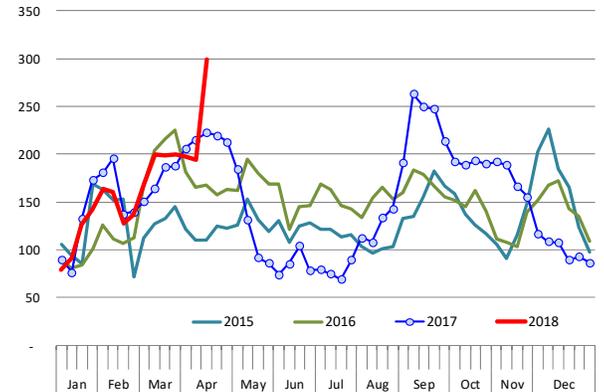


Lower prices for cattle and hogs are helping packers book significantly higher sales for the summer and fall. Meat protein supplies have been increasing and there has been this constant drumbeat that at some point the increase in supplies will overwhelm the market. This was the thesis for the market in the fall of 2016, which saw cattle trade down to the \$100 area. Ultimately that set the stage for the dramatic rally that we saw in the summer of 2017. That same rationale appears to be playing again this spring. True, the supply of fed cattle is about 9% higher than a year ago and the supply of market ready cattle will likely be some +20% this spring. But what is lost sometimes is that demand for meat protein also appears to be in very good shape. The unemployment rate may soon dip in the 3s, tight housing markets have contributed to strong gains in home prices and overall the consumers feel they are in a solid financial situation. This contributes to higher meat protein consumption (more expensive calories) both at home and at foodservice. Consumer confidence is back to what it was in the early 2000. **We bring this up because of the dramatic increase in forward beef sales, an indication in our view that beef end users remain particularly interested in taking advantage of current low futures prices to cover their needs forward.** You sell enough beef forward and eventually you need to go buy some cattle to deliver on those sales. For the week ending April 13 USDA reported that packers sold 1, 118 loads of beef for delivery 22-60 days forward. These are basically beef sales that will cover needs through Memorial Day. In the last four weeks forward sales for the 22-60day period are up 1% compared to the same period a year ago. Fed cattle slaughter for May and early June should be quite a bit higher than a year ago so covering these sales should not be a concern. However, when we look at summer and fall months the pace of sales has increased dramatically. Sales for the 60-90 window for the latest reported week were 540 loads compared to less than 200 loads per week the last four weeks. Even when using a smoothed out four week average sales for this time slot are up some 34% from a year ago. Looking further out (+90days), beef sales have increased dramatically, with the four week average some 177% higher than the same period a year ago (see chart). And packers are booking big sales not just to domestic accounts but export markets as well. Beef exports sales for the latest reported week were 1,111 loads, compared to 738 loads a year ago and 717 in the last five years. The four week moving average of exports, which tends to smooth out spikes, is also 31% higher than the same period a year ago.

We will talk more specifically about pork forward sales later in the week but thought it would be interesting to see **what happened with pork export sales last week.** There has been a lot of hyperventilating about the potential for US pork exports into Asia following Chinese tariffs. So far the low price of pork appears to have offset tariff worries. For week ending April 13, pork export sales to non-NAFTA markets were 36% higher than the previous year. This follows a 19% increase the previous week. Pork loin prices have been particularly weak and it appears Asian buyers are taking full advantage. Export sales of pork loins in the latest reported week were up 123% and have averaged +40% in the last four weeks. Seasonally pork export sales decline into the summer due to lower slaughter numbers. But for now, large slaughter is fueling robust export growth.

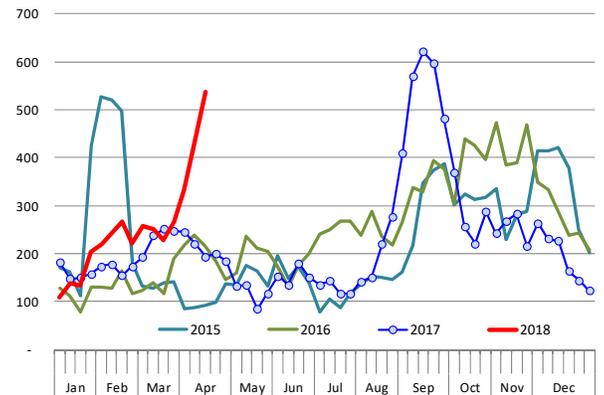
Beef Loads Sold For Delivery 61 - 90 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



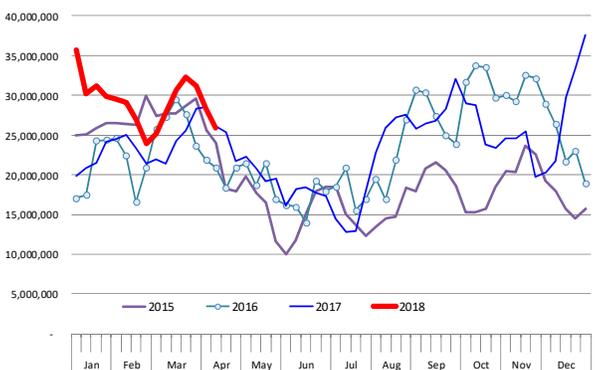
Beef Loads Sold For Delivery +90 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



Weekly MPR Pork Export Sales Volume, 4-week Moving Avg. - TOTAL

Based on MPR. Does not include NAFTA Sales. Data Source: USDA. Analysis by Steiner Consulting



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