

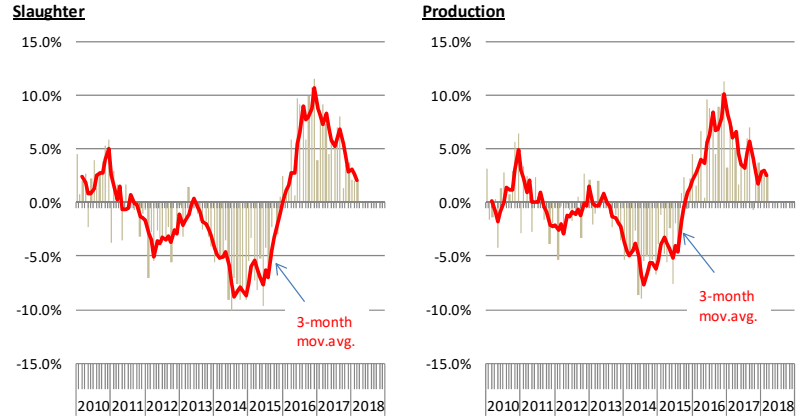
USDA released March livestock supply statistics last night and the data offers some interesting insight into the flow of cattle and hogs into the market during Q1. The charts to the right show the year/year change in both slaughter and production numbers. Differences in marketing days often tend to skew the numbers so we have normalized the data to account for these differences.

Beef: Total commercial slaughter in March was 2.702 million head, 2.3% lower than the previous year. When we adjust for one less slaughter day during March, US cattle slaughter was up 2.1% y/y. The number of steers coming to market has been lower than expected, in part because feedlots placed relatively light calves on feed last fall limiting supply availability. Steer slaughter in March was 1.328 million head, 6.1% lower than a year ago. Even when adjusting for the difference in slaughter days steer slaughter was down 1.8% vs. year ago. Total steer slaughter in Q1 was 3.888 million head, 1% less than a year ago. On the other hand, the number of heifers coming to market during Q1 continued to increase. March heifer slaughter, on a slaughter day basis, was 3.2% higher than a year ago and it was up 4.4% for the quarter. Heifer retention slowed down last year as cow-calf producers saw a sharp decline in profitability. Drought in the Southern Plains and more limited feed availability also may have caused producers to reduce the number of heifers held back for herd rebuilding. Drought conditions remain a key wild card for the cattle market this summer, impacting the flow of female calves and ultimately the supply of beef at the end of this year. Cow slaughter was higher in March as more beef and dairy cows went to slaughter. There is a larger inventory of both and a normal culling rate would result in higher slaughter numbers. Weaker markets for beef and dairy products likely induced producers to cull more aggressively in Q1. Total cow slaughter in March, on a slaughter day basis, was 11% higher than a year ago. **Federally Inspected cow slaughter in Q1 was 1.558 million head, 7.8% higher than a year ago. Beef cow slaughter for the quarter was 837k head, 5.6% higher while dairy cow slaughter at 721k head was 10.5% higher than a year ago.**

Pork: Hog slaughter in March was 10.725 million head, 0.4% higher than a year ago. On a slaughter day basis, however, slaughter was up 5% y/y. Total hog slaughter during the first quarter of the year was 31.075 million head, 3% higher than a year ago. Based on the latest 'Hogs and Pigs' report, slaughter should continue to increase at this pace during spring and summer months. Heavier weights have further bolstered the supply of pork coming

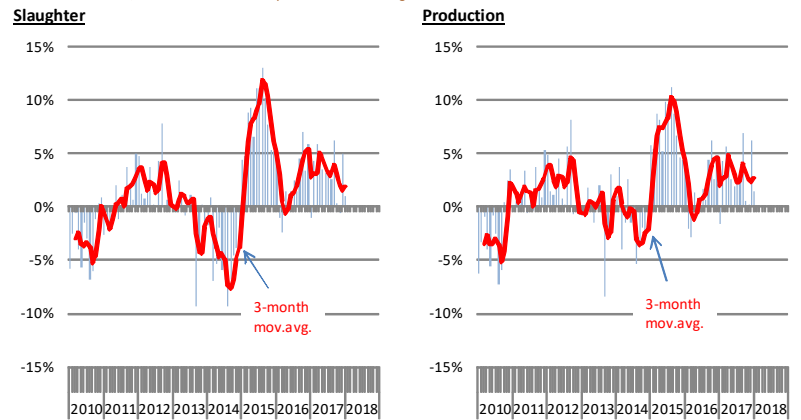
Cattle Slaughter & Beef Production Per Slaughter Day: Y/Y % Change

Data Source USDA/NASS. Calculations by Steiner Consulting

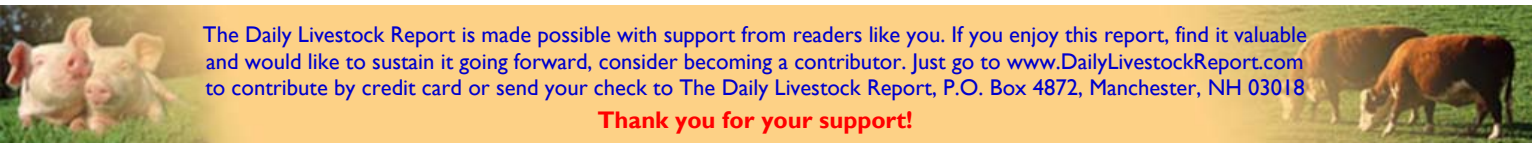


Hog Slaughter & Pork Production Per Slaughter Day: Y/Y % Change

Data Source USDA/NASS. Calculations by Steiner Consulting



to market. Commercial pork production in March was 2.297 billion pounds, 1.3% higher than a year ago. On a slaughter day basis pork production was up 5.9% compared to a year ago. Pork production in Q1 was 6.645 billion pounds, 3.7% higher than a year ago. The hog breeding herd on March 1 was estimated at 6.2 million head, the highest March inventory in a decade. The larger breeding herd inventory would imply more sows coming to market based on a normal cull rate. However, **March sow slaughter was 257,500 head, 5.4% less than last year. On a slaughter day basis sow slaughter in March was down 1.1% and only up 1% for all of Q1.**



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