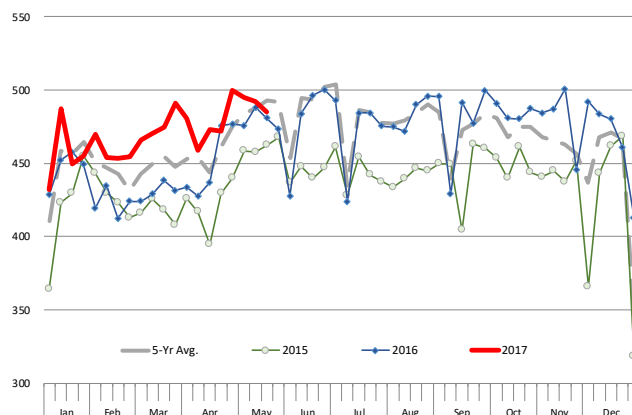


Fed cattle futures closed last week on a firm note, with the August contract up 140 points and the Jun-Aug spread now at the lowest point since last November. **While there is a lot of uncertainty about the summer beef market, the sharp rally in both beef and cattle prices so far has forced market participants to rethink the outlook through the entire futures curve.** Robust beef demand going into Memorial Day has made it possible for packers to push up spot beef prices. We will run our estimated beef and pork packer gross margins later today when the comprehensive cutout numbers come out but, based on early estimates, it looks like beef packers have managed to climb in positive territory again. We estimate that steer and heifer slaughter last week was 1% higher than a year ago but the decline in carcass weights implies beef pounds coming to market likely declined year over year. Keep this in mind when you look at the summary table on page 2, which still shows beef production up 1% from last year. We are using the reported preliminary USDA data, which include somewhat inflated weight numbers (they are estimated not actual) and they also include cow/bull meat in the calculation. The point of debate going forward will be the rate at which retailers respond to the sharp run-up in beef prices and opt to feature other proteins at the expense of beef. This is never a straight up calculation as the retailer also is looking to maintain foot traffic and also needs to preserve revenue targets, which are a lot harder to hit if you replace a \$7 item with a \$3 dollar one. **The comprehensive beef cutout report will provide an update on forward beef sales as well as beef export sales.** USDA also will tell us a bit more about what packers have been doing to bolster their forward cattle coverage. The last report showed that packers have added forward coverage more aggressively. Cattle bought for August deliveries last week stood at 209,4365 head, up 23% from four weeks ago and the largest forward position for August (for this time of year) in five years. Packers also added significantly to their November and December positions, increasing them by 67% and 52%, respectively. Packers buying more cattle for future delivery may provide them with a bit more cushion but it **does not solve the fact that feedlot inventories remain extremely current and will likely stay as long as fed slaughter stay near current levels.**

Hog slaughter for the week was 2.249 million head, 6.3% higher than the previous year. Since the first week of March weekly hog slaughter has averaged 5% above year ago levels, in line with the levels implied by the March 'Hogs and Pigs' Report. Summer hog futures have been bolstered in recent days by robust demand for a number of key summer items. The pork belly primal closed on Friday at \$137.6/cwt, 33% higher than a year ago. Belly prices normally hold firm through June and the recent gains coupled with tight inventories have contributed significantly to the overall pork cutout. Pork trim

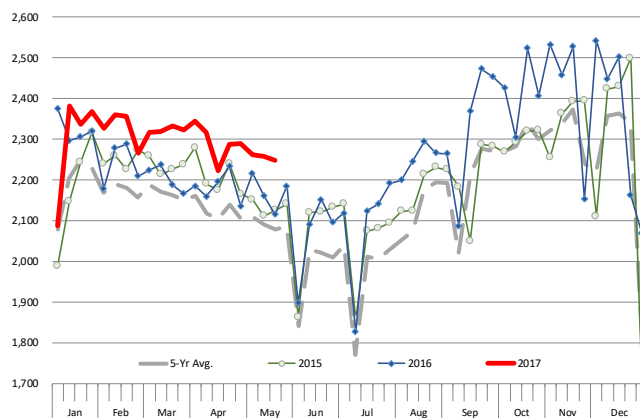
WEEKLY STEER & HEIFER SLAUGHTER, '000 HEAD

Source: USDA

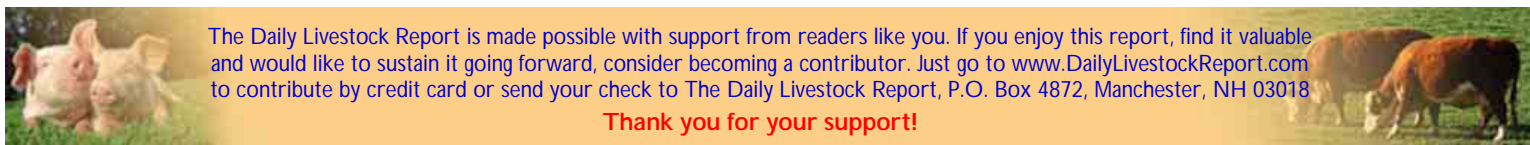


WEEKLY HOG SLAUGHTER, '000 HEAD

Source: USDA



prices also have been performing better and are expected to appreciate further given the very large spread between beef and pork trimmings. With 50CL beef trading at \$200/cwt, pork 72CL trim at \$83 is a definite bargain. Hams and picnics have benefited from the seasonal increase in the value of pork trim. Other pork items, be this ribs or butts or loins all have benefited from the seasonal demand improvement. For now futures market participants are focusing on all the good news and some producers likely will take advantage of the rally to hedge their Q4 supplies. The release of the June 'Hogs and Pigs' survey data and the pace of exports will likely start focus the mind on what is expected to be record pork supplies this fall and the price levels required to push all this pork through domestic and export channels.



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending 5/20/2017

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
		20-May-17	13-May-17		21-May-16			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,844	1,825	1.04%	1,803	2.25%	35,590	1.9%
C FI Slaughter	Thou. Head	608	612	-0.65%	590	3.02%	11,841	5.6%
C FI Cow Slaughter **	Thou. Head	107	109	-1.98%	101	6.25%	1,993	0.8%
T Avg. Dressed Weight	Lbs.	795	800	-0.63%	812	-2.09%	811	-1.6%
T Beef Production	Million Lbs.	482.3	488.9	-1.35%	478.4	0.82%	9,602	4.0%
L Live Fed Steer Price	\$ per cwt	134.27	137.28	-2.19%	130.75	2.69%		
E Dressed Fed Steer Price	\$ per cwt	212.74	220.33	-3.44%	204.07	4.25%		
& Oklahoma Steer (600-700 lbs)	\$ per cwt	159.14	160.87	-1.08%	163.19	-2.48%		
& Choice Beef Cutout	\$ per cwt	248.36	244.55	1.56%	225.72	10.03%		
B Hide/Offal	\$ per cwt, live wt	11.42	11.54	-1.04%	11.06	3.25%		
B Rib Primal, Choice	\$ per cwt	417.63	399.14	4.63%	345.32	20.94%		
E Round Primal, Choice	\$ per cwt	181.99	182.76	-0.42%	182.28	-0.16%		
E Chuck Primal, Choice	\$ per cwt	191.58	189.35	1.18%	171.28	11.85%		
F Trimmings, 50%	\$ per cwt	200.80	184.29	8.96%	51.55	289.52%		
F Trimmings, 90%	\$ per cwt	225.28	221.90	1.52%	217.87	3.40%		
H FI Slaughter	Thou. Head	2,249	2,258	-0.40%	2,115	6.34%	46,031	2.7%
H FI Sow Slaughter **	Thou. Head	57.6	58.3	-1.08%	57.0	1.10%	1,039	-1.6%
H Avg. Dressed Weight	Lbs.	213.0	213.0	0.00%	213.0	0.00%	213	-0.3%
O Pork Production	Million Lbs.	478.2	480.8	-0.54%	449.3	6.43%	9,788	2.4%
G Iowa-S. Minn. Base	Wtd. Avg.	71.70	69.55	3.09%	76.65	-6.46%		
S Natl. Base Carcass Price	Wtd. Avg.	72.41	68.23	6.13%	75.94	-4.65%		
S Natl. Net Carcass Price	Wtd. Avg.	74.94	70.66	6.06%	78.34	-4.34%		
S Pork Cutout	205 Lbs.	86.11	81.25	5.98%	83.50	3.13%		
S Ham Primal	\$ per cwt	65.83	65.35	0.73%	62.15	5.92%		
S Loin Primal	\$ per cwt	85.76	81.82	4.82%	92.52	-7.31%		
S Belly Primal	\$ per cwt	135.26	120.83	11.94%	102.26	32.27%		
S Trimmings, 72%, Fresh	\$ per cwt	83.80	78.75	6.41%	67.18	24.74%		
S Hog By-Product Value	\$ per cwt, live wt	3.95	3.93	0.51%	3.84	2.86%		
C Young Chicken Slaughter *	Million Head	164.2	161.9	1.46%	162.5	1.08%	3,047	1.1%
H Avg. Weight (RTC)	Lbs.	4.68	4.61	1.65%	4.70	-0.32%	6.13	-0.6%
I Young Chicken Production (RTC)	Million Lbs.	768.9	745.5	3.13%	763.1	0.75%	14,191	0.5%
C Eggs Set (19-state)	Million	214.3	214.0	0.17%	209.1	2.50%	4,043	2.1%
K Chicks Placed (19-state)	Million Head	174.6	173.5	0.67%	171.8	1.64%	3,288	1.4%
E National Composite Whole Bird	Composite	108.46	104.25	4.04%	96.42	12.49%		
E Northeast Breast, B/S	\$/cwt	153.73	144.89	6.10%	125.87	22.13%		
E Northeast Leg Quarters	\$/cwt	40.94	39.85	2.74%	36.71	11.52%		
T Total Turkey Slaughter *	Million Head	4.429	4.248	4.26%	4.526	-2.14%	78.109	-1.8%
U Avg. Weight (RTC)	Lbs.	25.85	25.84	0.06%	24.87	3.95%	32.09	2.8%
R Turkey Production (RTC)	Million Lbs.	114.5	109.8	4.32%	112.6	1.73%	2,008	0.5%
K National Hen (8-12 lb)	8-16 Lbs.	102.50	101.50	0.99%	118.82	-13.74%		
G Corn, Omaha	\$ per Bushel	3.40	3.43	-0.87%	3.68	-7.61%		
R Distillers Grain, Chicago	\$ per Ton	97.50	97.50	0.00%	157.50	-38.10%		
A Wheat, Kansas City (deliv.)	\$ per Bushel	3.98	3.99	-0.25%	4.27	-6.79%		
I Soybeans, Cntrl IL	\$ per Bushel	9.36	9.58	-2.30%	10.58	-11.53%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	303.00	310.40	-2.38%	346.60	-12.58%		

* 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.

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