

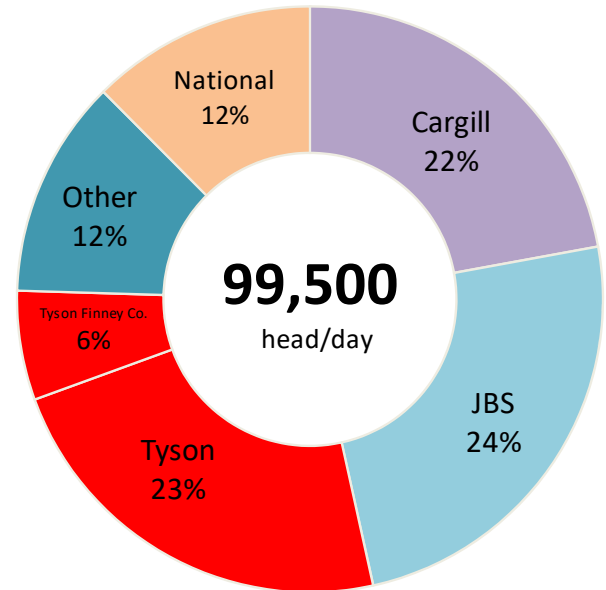
**On Friday one of the largest beef packing plants in the US was damaged by fire and the event has the potential to cause significant disruptions to both beef and cattle markets.** According to data from Steve Kay of Cattle Buyers Weekly, a publication that for decades has kept meticulous records of US plant packing capacity, the Tyson plant in Garden City Kansas can harvest about 6,000 head of cattle per day. All the cattle harvested in this facility are fed cattl. **We think this represents about 6% of overall US fed cattle packing capacity, a significant number considering there is very little capacity slack in the industry at this time.**

The chart to the right represents our effort to understand fed cattle packing capacity for the main packers. Top packers at this time process somewhere between 84% and 88% of all fed cattle in the US. Please note that we simply implied this by taking the maximum daily slaughter this year (~99,500 head) and then calculated the fed cattle slaughter numbers for each plant that large packers run. Some plants process both fed and non-fed cattle. In that case we assumed a 50:50 split, which may overstate the number of fed cattle they process. Tyson Foods is the biggest beef packer in the US at this time and accounts for around 29% of fed cattle packing capacity in the country. Given its size, the company is a major supplier to both retail and foodservice customers. At this time there are **no details as to the extent of the fire and how long it will stay shuttered.** Media reports noted significant damage to the roof structure and wire stories quoted a Tyson spokesman that the plant “would remain closed indefinitely.” There are also no reports as to whether product that was already stored in the plants coolers was affected by the fire. This could represent a significant amount of beef that may not enter commerce. It makes no sense to speculate more about this until company officials offer an account of plant conditions and outlook.

**The short term effect is that with 6% of capacity going dark there will be (potentially) less beef available in the market.** End users that normally would get product from this plant now will be serviced by other plants but that will limit supplies in the spot market. Higher prices will be necessary to either ration out some demand or cause other packers to run extra shifts. Supplies in the spot market will likely be very tight, which normally results in a bidding war from those that are short. The disruption happened at a time when retailers are gearing up for Labor Day promotions, a time when beef demand generally gets a boost. The choice beef cutout has been trending higher recently and this disruption will likely cause prices to advance further. As for the impact on fed cattle prices it is generally negative although the extent of the impact will depend greatly on how long it takes to bring this plant back to full production. Different from hogs, where supplies can quickly back up and result in dramatic price declines, feedlot operators have a bit more flexibility. But the effect could quickly increase the longer this plant stays out of commission and it becomes necessary to adjust the flow of cattle through the entire supply chain. Fort that to happen, higher prices will be needed at the consumer level and lower prices at the producer level. Today participants in the futures market will likely scramble to understand the true downside risk in the immediate term as well as for the fall market.

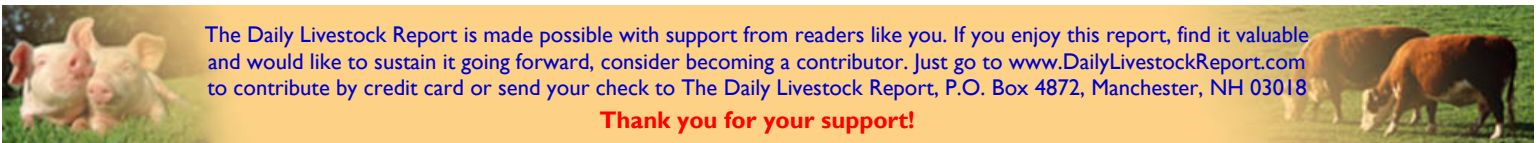
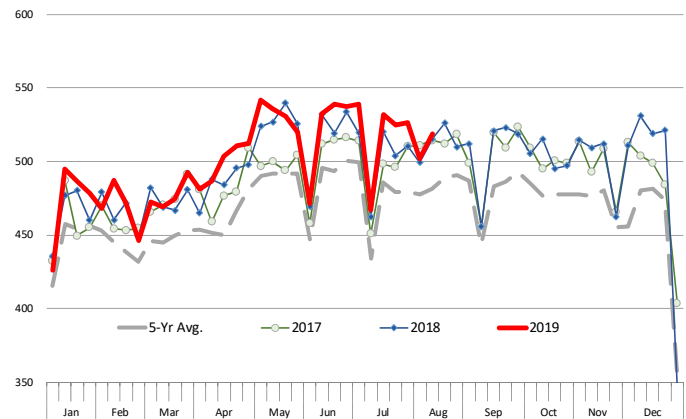
## FED CATTLE SLAUGHTER CAPACITY BY MAJOR PACKER

Data Source: Steve Kay, Cattle Buyers Weekly. Analysis by Steiner Consulting



## WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD

Source: USDA



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## PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **8/10/2019**

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
		10-Aug-19	3-Aug-19		11-Aug-18			
<b>Total Beef, Pork, Chicken, Turkey</b>	<b>mil lbs., cwe</b>	<b>1,929</b>	<b>1,910</b>	<b>0.99%</b>	<b>1,917</b>	<b>0.61%</b>	<b>59,407</b>	<b>87.1%</b>
C FI Slaughter	Thou. Head	645	626	3.04%	647	-0.25%	20,081	1.3%
C FI Cow Slaughter **	Thou. Head	115	119	-2.85%	118	-2.08%	3,632	3.1%
T Avg. Dressed Weight	Lbs.	806	804	0.25%	818	-1.47%	803	-1.0%
T Beef Production	Million Lbs.	518.9	502.7	3.22%	527.6	-1.65%	16,121	0.3%
L Live Fed Steer Price	\$ per cwt	114.11	113.82	0.25%	110.98	2.82%		
E Dressed Fed Steer Price	\$ per cwt	182.57	184.30	-0.94%	175.73	3.89%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	154.28	N/A	165.78	N/A		
& Choice Beef Cutout	\$ per cwt	216.04	213.96	0.97%	205.91	4.92%		
Hide/Offal	\$ per cwt, live wt	8.97	8.89	0.90%	9.26	-3.13%		
B Rib Primal, Choice	\$ per cwt	363.68	356.90	1.90%	337.99	7.60%		
E Round Primal, Choice	\$ per cwt	166.91	166.96	-0.03%	162.14	2.94%		
E Chuck Primal, Choice	\$ per cwt	169.48	168.74	0.44%	170.90	-0.83%		
F Trimmings, 50%	\$ per cwt	78.75	76.91	2.39%	80.31	-1.94%		
Trimmings, 90%	\$ per cwt	222.02	221.53	0.22%	211.73	4.86%		
H FI Slaughter	Thou. Head	2,354	2,351	0.13%	2,341	0.54%	76,297	3.3%
H FI Sow Slaughter **	Thou. Head	58.4	59.2	-1.35%	59.4	-1.73%	1,720	-0.4%
H Avg. Dressed Weight	Lbs.	210.0	210.0	0.00%	208.0	0.96%	213	0.6%
O Pork Production	Million Lbs.	492.7	493.2	-0.10%	487	1.17%	16,284	3.9%
G Iowa-S. Minn. Base	Wtd. Avg.	74.61	81.72	-8.70%	48.11	55.08%		
S Natl. Base Carcass Price	Wtd. Avg.	80.61	81.33	-0.89%	61.65	30.75%		
Natl. Net Carcass Price	Wtd. Avg.	82.96	83.70	-0.88%	63.87	29.89%		
Natl. Early Wean Feeder	Wtd. Avg.	31.42	40.58	-22.57%	21.68	44.93%		
Pork Cutout	205 Lbs.	88.88	86.62	2.61%	71.67	24.01%		
Ham Primal	\$ per cwt	84.29	82.05	2.73%	59.59	41.45%		
Loin Primal	\$ per cwt	74.93	75.63	-0.93%	76.21	-1.68%		
Belly Primal	\$ per cwt	159.43	149.11	6.92%	99.47	60.28%		
Trimmings, 72%, Fresh	\$ per cwt	72.69	82.58	-11.98%	58.80	23.62%		
Hog By-Product Value	\$ per cwt, live wt	3.60	3.60	0.00%	3.78	-4.76%		
C Young Chicken Slaughter *	Million Head	172.3	169.6	1.60%	168.8	2.09%	5,064	N/A
H Avg. Weight (RTC)	Lbs.	4.70	4.75	-1.12%	4.71	-0.32%	6.17	0.1%
I Young Chicken Production (RTC)	Million Lbs.	809.5	805.8	0.46%	795.5	1.76%	23,739	N/A
C Eggs Set (19-state)	Million	232.1	231.9	0.09%	229.0	1.33%	7,186	1.3%
K Chicks Placed (19-state)	Million Head	187.3	188.8	-0.80%	187.2	0.08%	5,781	1.4%
E National Composite Whole Bird	Composite	83.24	82.97	0.33%	89.88	-7.39%		
Northeast Breast, B/S	\$/cwt	105.82	105.79	0.03%	116.98	-9.54%		
Northeast Leg Quarters	\$/cwt	44.69	46.28	-3.44%	31.57	41.56%		
T Total Turkey Slaughter *	Million Head	4.281	4.327	-1.06%	4.27	0.26%	123.753	N/A
U Avg. Weight (RTC)	Lbs.	25.23	25.09	0.56%	25.14	0.37%	32.84	4.3%
R Turkey Production (RTC)	Million Lbs.	108.0	108.6	-0.51%	107.3	0.63%	3,264	N/A
K National Hen (8-12 lb)	8-16 Lbs.	92.14	93.00	-0.92%	81.00	13.75%		
G Corn, Omaha	\$ per Bushel	4.09	3.98	2.76%	3.44	18.90%		
R Soybeans, Cntrl IL	\$ per Bushel	8.61	8.42	2.26%	8.74	-1.49%		
A Soybn Meal 48%, Cntrl IL	\$ per Bushel	299.80	297.60	0.74%	342.60	-12.49%		
I Distillers Grain, IL	\$ per Bushel	140.00	138.50	1.08%	150.00	-6.67%		

\* 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.

