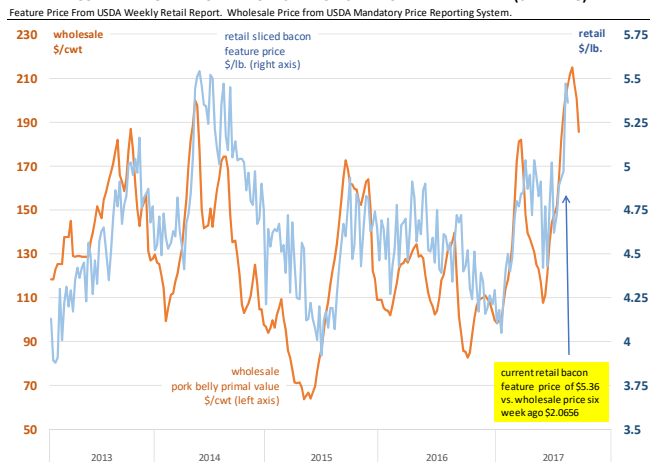


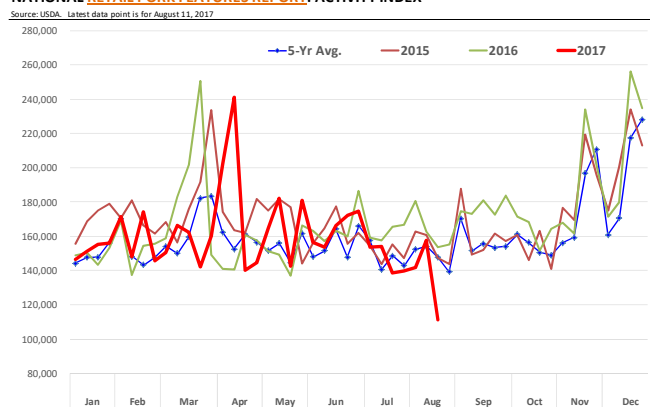
The sharp break in pork belly prices last week was something that market participants had been pondering for a while but the speed with which it took place certainly got futures to pay attention. Earlier in the week hog futures actually rallied on reports of smaller than expected slaughter numbers and generally positive export data. But as we noted in our report on August 15, there was also **a lot of doubt about the sustainability of lofty pork prices into the fall**. One of the bearish indicators we highlighted in our report was the 10% jump in the retail feature price reported by USDA for the previous week. The chart to the right is something we have shown before, illustrating **the relationship between the weekly retail feature price vs. wholesale prices six weeks prior**. The idea is that it likely takes about six weeks before the changes in wholesale prices make their way into the retail case. It is not a perfect measure and other factors, such as cold storage inventories and foodservice demand, will also play a role in this adjustment. The point, however, is that eventually retailers will pull bacon off ads when landed costs catch up with wholesale prices. And the lags in how pricing works may sometimes exacerbate short term price momentum. **For the week ending August 18, USDA reported the national average price of sliced bacon at \$5.36 per pound, 2% less than the week before but now 22% higher than it was in early June**. These are some of the highest bacon retail prices since the summer of 2014. The retail pork activity index was down sharply last week, likely reflecting the retailers no longer promoting bacon sales. The activity index is reported each week by USDA and it looks to measure the absolute number of pork items being featured. For the week ending August 18 the national pork retail activity index stood at 111,125, 27% lower than a year ago and the lowest index reading since the data collection started in 2011. The activity index for most items measured by USDA was lower for the week but processed items, which includes bacon and sausage, showed the largest decline. This seems to track with the significant weakness we have seen recently both in the belly market and in pork trim values.

The national beef retail activity index was also lower last week but largely following the normal seasonal decline. Beef retail activity rebounds into Labor Day weekend and it is notably higher in October. This increase coincides with the general improvement in price that we see for end cuts during that time of year, with chucks and rounds normally getting some support in the fall. **The retail beef activity index for week ending August 18 was down 8% from last year and it was down by a similar amount the previous week as well**. This contrasts with the extremely high beef retail activity in March and then in May, periods when we saw notable price appreciation for beef items. Ground beef prices at retail were substantially lower than a year ago during spring and early summer, which may have contributed to robust sales for those items. The average national feature price for 80-89% ground beef last week was \$3.45/lb, 3.6% higher than a year ago. In the last couple of weeks feature ground beef prices have averaged in the \$3.50 range compared to \$3.25 in Mar, April and May. Higher ground beef retail prices, seasonally higher fed cattle carcass weights and potentially weaker demand from Asian markets for plates likely contributed to the weakness for fat beef trimmings. Fat trim prices hit \$2/lb in May but currently are trading in the mid 60s, that's quite an adjustment for an item that accounts for as much as 10% of the carcass.

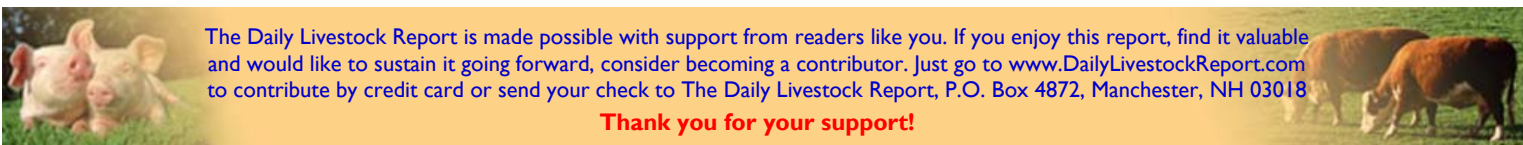
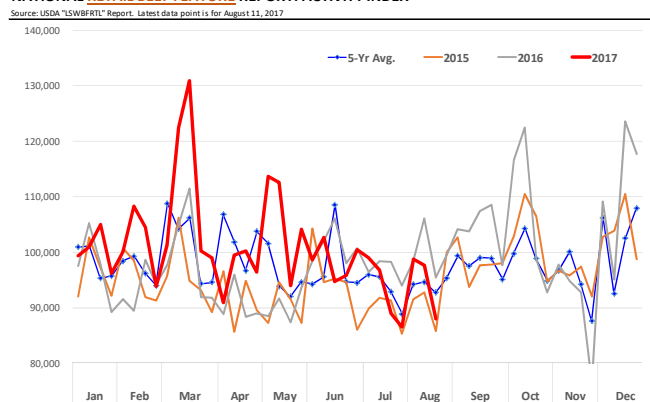
RETAIL BACON AVERAGE FEATURE PRICE VS. WHOLESALE PORK BELLY PRIMAL (6-WK LAG)



NATIONAL RETAIL PORK FEATURES REPORT: ACTIVITY INDEX



NATIONAL RETAIL BEEF FEATURE REPORT: ACTIVITY INDEX



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Daily Livestock Report

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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending 8/19/2017

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
		19-Aug-17	12-Aug-17		20-Aug-16			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,856	1,865	-0.47%	1,819	2.05%	59,070	2.1%
C FI Slaughter	Thou. Head	634	641	-1.09%	602	5.33%	19,916	6.0%
C FI Cow Slaughter **	Thou. Head	107	105	1.75%	97	10.62%	3,377	4.1%
T Avg. Dressed Weight	Lbs.	813	810	0.37%	829	-1.93%	807	-1.6%
T Beef Production	Million Lbs.	514.5	518.0	-0.68%	497.6	3.40%	16,082	4.3%
L Live Fed Steer Price	\$ per cwt	109.72	115.17	-4.73%	117.51	-6.63%		
E Dressed Fed Steer Price	\$ per cwt	175.26	183.87	-4.68%	186.03	-5.79%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	138.74	161.19	-13.93%	160.15	-13.37%		
& Choice Beef Cutout	\$ per cwt	197.06	201.37	-2.14%	201.24	-2.08%		
Hide/Offal	\$ per cwt, live wt	10.87	11.00	-1.18%	11.15	-2.51%		
B Rib Primal, Choice	\$ per cwt	311.54	319.65	-2.54%	329.43	-5.43%		
E Round Primal, Choice	\$ per cwt	169.25	172.83	-2.07%	166.33	1.76%		
E Chuck Primal, Choice	\$ per cwt	161.48	162.93	-0.89%	158.41	1.94%		
F Trimmings, 50%	\$ per cwt	75.99	85.07	-10.67%	57.42	32.34%		
Trimmings, 90%	\$ per cwt	232.78	233.65	-0.37%	214.00	8.78%		
FI Slaughter	Thou. Head	2,332	2,272	2.64%	2,295	1.61%	74,323	2.7%
FI Sow Slaughter **	Thou. Head	56.7	54.4	4.23%	54.8	3.47%	1,759	0.9%
H Avg. Dressed Weight	Lbs.	207.0	207.0	0.00%	207.0	0.00%	211	-0.5%
O Pork Production	Million Lbs.	481.9	469.9	2.55%	474.7	1.52%	15,654	2.2%
G Iowa-S. Minn. Base	Wtd. Avg.	76.94	79.85	-3.64%	63.93	20.35%		
S Natl. Base Carcass Price	Wtd. Avg.	79.96	82.04	-2.54%	66.47	20.29%		
Natl. Net Carcass Price	Wtd. Avg.	83.26	84.60	-1.58%	68.92	20.81%		
Pork Cutout	205 Lbs.	92.32	95.53	-3.36%	74.60	23.75%		
Ham Primal	\$ per cwt	66.53	68.96	-3.52%	68.39	-2.72%		
Loin Primal	\$ per cwt	82.09	84.26	-2.58%	78.87	4.08%		
Belly Primal	\$ per cwt	185.45	200.46	-7.49%	85.72	116.34%		
Trimmings, 72%, Fresh	\$ per cwt	62.74	73.98	-15.19%	66.09	-5.07%		
Hog By-Product Value	\$ per cwt, live wt	4.07	4.09	-0.49%	4.03	0.99%		
C Young Chicken Slaughter *	Million Head	163.5	163.7	-0.10%	162.7	0.52%	5,156	1.1%
H Avg. Weight (RTC)	Lbs.	4.65	4.67	-0.49%	4.58	1.66%	6.12	-0.1%
I Young Chicken Production (RTC)	Million Lbs.	760.6	765.1	-0.59%	744.4	2.19%	23,987	1.0%
C Eggs Set (19-state)	Million	214.4	217.6	-1.46%	209.2	2.49%	6,850	2.5%
K Chicks Placed (19-state)	Million Head	176.8	176.2	0.30%	171.9	2.84%	5,570	1.5%
E National Composite Whole Bird	Composite	93.14	94.05	-0.97%	79.44	17.25%		
Northeast Breast, B/S	\$/cwt	145.47	147.4	-1.31%	149.09	-2.43%		
Northeast Leg Quarters	\$/cwt	43.36	43.33	0.07%	32.4	33.83%		
T Total Turkey Slaughter *	Million Head	4.059	4.503	-9.86%	4.265	-4.83%	131,788	-2.0%
U Avg. Weight (RTC)	Lbs.	24.47	24.87	-1.63%	24.01	1.92%	31.64	2.3%
R Turkey Production (RTC)	Million Lbs.	99.3	112.0	-11.33%	102.4	-3.00%	3,347	0.0%
K National Hen (8-12 lb)	8-16 Lbs.	96.00	112.00	-14.29%	102.40	-6.25%		
G 0.00	\$ per Bushel	3.20	3.23	-0.93%	3.09	3.56%		
R Soybeans, Cntrl IL	\$ per Ton	122.50	117.50	4.26%	145.00	-15.52%		
A Corn, Omaha	\$ per Bushel	3.65	3.65	0.00%	3.62	0.83%		
I Wheat, Portland (delivered)	\$ per Bushel	9.29	9.30	-0.11%	10.57	-12.11%		
N Wheat, Kansas City (deliv.)	\$ per Ton	297.10	297.30	-0.07%	347.40	-14.48%		

* 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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