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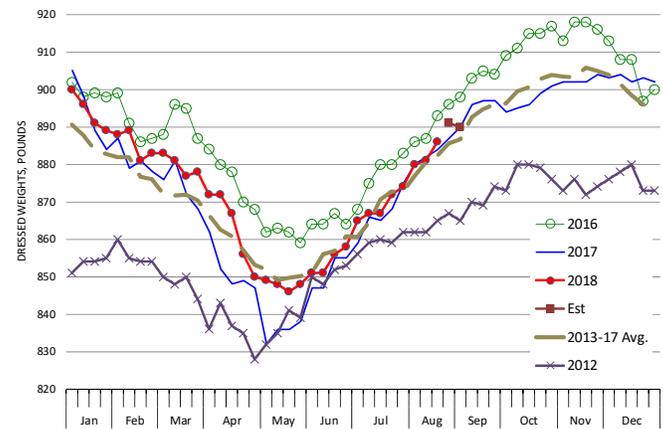
CME Labor Day Trading Hours: CME trading will be closed on Monday in observance of the Labor Day holiday. Normal hours will be observed today. Trading will resume as usual on Tuesday. For the full holiday calendar please refer to the link below.

<https://www.cmegroup.com/tools-information/holiday-calendar.html>

Today we decided to talk about **livestock weights, what they tell us about producer currentness and the impact they may have on the supply of beef or pork coming to market.** We have included two charts that are familiar to regular users but they differ a bit from some of the traditional weekly statistics. The first one charts weekly steer weights in recent years but it also adds where we think the weights will be for the week ending 8/25 and 9/1. The last official report from USDA on steer weights was for the week ending 8/18 (released yesterday) and it pegged the average dressed steer carcass at 886 pounds, just 2 pounds or 0.2% higher than the same week a year ago. **We think weights have continued to move higher the last two weeks** (remember the USDA number is for two weeks ago) **but they are still close to 2017 levels.** We think the average steer weight at the end of this week will be close to 890 pounds, this is about 4 pounds heavier than two weeks ago but still in line with year ago levels. The steer weight data suggests that feedlots remain current. Last year, higher retail features, strong forward sales and robust packer margins allowed for a high marketing rate. This kept steer weights in check through much of the fall and set the stage for very robust cattle prices going into the year-end holidays. **Marketings in September will be critical once again.** Memories of 2015 and 2016 are still fresh. During the fall of those two years producers simply lost ground in terms of currentness, there were more lower yielding cattle in the mix and cattle prices struggled to gain traction. **Fed cattle weights this year have been very close to year ago so any increase in beef production has come from slaughter numbers rather than additional weight on the carcass.** Using weekly data we calculate that between July 1 and Aug 18 total fed beef production (steers+heifers) was 3.009 billion pounds, a relatively modest 1.5% increase compared to a year ago. Weights contributed just 0.2% to this increase, the rest is accounted by higher slaughter numbers. Slaughter numbers are expected to increase into the fall, a function of higher cattle on feed. But **if weights stay in check, this will tend to limit the overall increase in supply.**

We have the same issue with hog weights, the data reported has a notable lag and it tells us little what is going on in the market today. The last USDA report noted average weights for barrows and gilts were 205 pounds per carcass, unchanged compared to a year ago. Using data from the mandatory price reporting, we have constructed a chart (see on the right) that runs a 5-day average of barrow and gilt weights. The chart only shows the average weight of producer owned hogs in order to better understand how current they are. The numbers are encouraging. True, producers have

Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate
Source: USDA & Steiner Consulting Estimates



Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Aug 29, 2018



had to take some significant discounts to keep the flow moving, with the IA/MN base price now at 36 cents and the cash hog index at around 45. However, taking some of the pain now may pay dividends later in the year. With a large supply of hogs on the ground, it is critical that producers stay current and get ahead of the supply increase. The worst thing that can happen is to have +4% more hogs and then an additional +2% in higher weights. The average barrow/gilt dressed weights in the five days ending Aug 29 was 207.6 pounds, down almost 1 pound or 0.4% from the same period a year ago. In 2012 producers were faced with a similar situation of quickly escalating fall supplies. They were quite aggressive in marketing hogs, in the short term causing prices to pull back sharply. But as fall pork demand unfolded, producer currentness helped fall prices stabilize.

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