

Hog futures rebounded on Friday even as cash prices for both pork and hogs continued to lose ground.

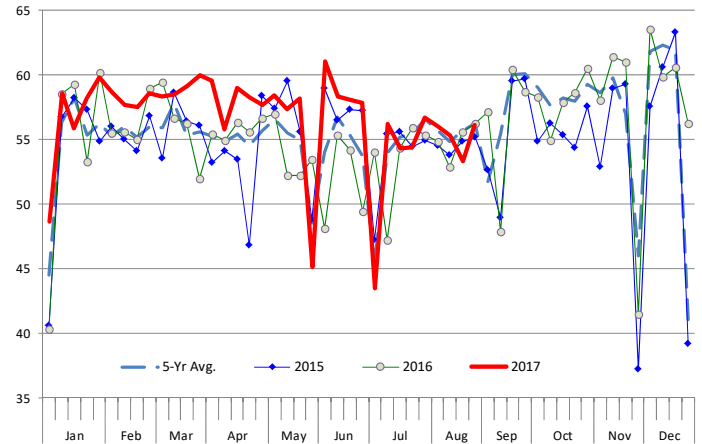
It is possible futures were buoyed earlier in the day by a USDA cutout print that was \$1 higher than the day prior. Pork belly pries in the morning sheet was printed \$10 above the previous close, an impressive turnaround considering the downward trend during the last few weeks. The issue, however, is that USDA indicated the volume was light enough, and likely from one single source, that they simply could not show the detail due to confidentiality. When the afternoon pork report came out on Friday, the situation had completely reversed. There was a decent volume of pork bellies traded at levels under Thursday, with the pork belly cutout now approaching \$100/cwt. Other pork primals were down as well. The ham primal is of particular importance because it has been one of the few primals that has held together relatively well. Going into the fall, it is particularly important for packers to be able to put enough money on hams in order to carry the cutout. The challenge will be in doing that while at the same time processing +2.5 million hogs. Last year the ham primal came under significant pressure once slaughter hit those levels, packers needed to lower the price enough in order to generate sales volume both in domestic and, importantly, in export markets. The recent decline in the value of the pork cutout could be problematic for packers going into the fall. For hog producers, both cutout values and the increase in processing capacity remain critical. While two new plants are going to be available this year, adding as much as 22,000 head of daily capacity, they are still taking their first steps and it will take some time before they start operating anywhere close to those levels. How much time? It is going to be an important consideration for producers that are counting on those plants for the next couple of months. And we have yet to see any signs that producers are changing their stance on the number of sows they need on hand. Sow slaughter in the last six weeks has been fairly close year ago levels. Keep in mind, however, that on June 1, 2017 there were 6.069 million breeding animals on hand compared to 5.979 million the year before (+1.4%). We don't have any idea how many gilts producers are holding together but judging from the trend in sow slaughter, it does not appear that producers are trying very hard to pull in the reins on hog supply expansion.

And while hog producers have shown few signs of liquidation, the pace of cow/bull slaughter has increased significantly in the last three months.

For the last six weeks, cow/bull slaughter was a total 730,700 head, 11.2% higher than a year ago. Beef cow slaughter during this period is up some 39,000 head (+14.2%) while dairy cow slaughter is up 23,000 head (+7.2%). Large placements of cattle on feed in March, April and May continue to fuel weekly fed slaughter, which last week was the largest so far this year. We are waiting for the latest USDA estimates but we think last week fed

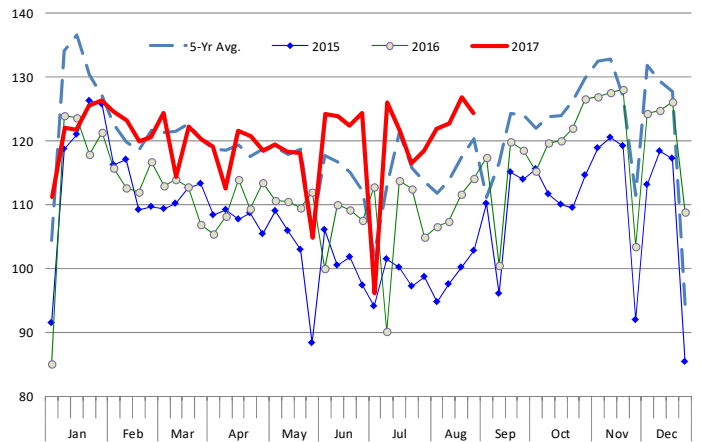
Weekly US Sow Slaughter

000 Head. Data Source: USDA

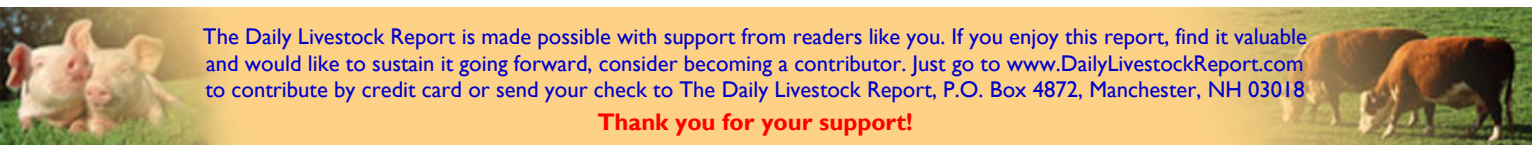


Weekly US Cow and Bull Slaughter

000 Head. Data Source: USDA



slaughter was 519,000 head, 5.6% higher than a year ago. Prior to this week the largest weekly fed slaughter week was June 24, with 516,000 head. The choice beef cutout was for the most part steady last week despite the steady erosion in the value of 50CL beef trimmings. Large weekly slaughter and seasonally higher fed cattle weights have increased the supply of fat trim in the spot market. But the cutout continues to be supported by robust prices for end cuts. Prices for middle meats holding steady. Export business appears to be in pretty good shape (based on weekly export volumes and we expect to see another round of strong forward sales when the comprehensive cutout



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **9/16/2017**

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
		16-Sep-17	9-Sep-17		17-Sep-16			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,828	1,775	2.98%	1,759	3.91%	66,431	2.1%
C FI Slaughter	Thou. Head	642	555	15.68%	611	5.00%	22,377	5.8%
T FI Cow Slaughter **	Thou. Head	112	115	-2.07%	106	6.47%	3,825	4.7%
T Avg. Dressed Weight	Lbs.	821	820	0.12%	837	-1.91%	809	-1.6%
L Beef Production	Million Lbs.	526.2	454.0	15.90%	510.8	3.01%	18,109	4.1%
E Live Fed Steer Price	\$ per cwt	104.50	104.92	-0.40%	109.36	-4.44%		
E Dressed Fed Steer Price	\$ per cwt	166.87	166.13	0.45%	169.89	-1.78%		
& Oklahoma Steer (600-700 lbs)	\$ per cwt	N/A	N/A	N/A	133.43	N/A		
B Choice Beef Cutout	\$ per cwt	191.03	192.35	-0.69%	186.48	2.44%		
E Hide/Offal	\$ per cwt, live wt	10.62	10.61	0.09%	11.27	-5.77%		
B Rib Primal, Choice	\$ per cwt	295.05	297.78	-0.92%	302.64	-2.51%		
E Round Primal, Choice	\$ per cwt	168.61	168.73	-0.07%	157.51	7.05%		
E Chuck Primal, Choice	\$ per cwt	168.20	167.88	0.19%	151.13	11.29%		
F Trimmings, 50%	\$ per cwt	43.34	47.89	-9.50%	40.95	5.84%		
F Trimmings, 90%	\$ per cwt	226.64	229.54	-1.26%	207.12	9.42%		
H FI Slaughter	Thou. Head	2,432	2,170	12.07%	2,369	2.68%	83,606	2.7%
H FI Sow Slaughter **	Thou. Head	56.1	53.3	5.21%	57.1	-1.80%	1,979	0.7%
O Avg. Dressed Weight	Lbs.	208.0	207.0	0.48%	209.0	-0.48%	210	-0.4%
O Pork Production	Million Lbs.	505.7	450.2	12.33%	495.7	2.02%	17,587	2.3%
G Iowa-S. Minn. Base	Wtd. Avg.	55.35	60.91	-9.13%	56.38	-1.83%		
S Natl. Base Carcass Price	Wtd. Avg.	64.46	66.93	-3.69%	62.11	3.78%		
S Natl. Net Carcass Price	Wtd. Avg.	66.83	69.25	-3.49%	64.50	3.61%		
S Pork Cutout	205 Lbs.	79.95	83.32	-4.04%	81.01	-1.31%		
S Ham Primal	\$ per cwt	69.60	71.11	-2.12%	72.26	-3.68%		
S Loin Primal	\$ per cwt	81.21	82.10	-1.08%	88.24	-7.97%		
S Belly Primal	\$ per cwt	107.35	120.55	-10.95%	92.94	15.50%		
S Trimmings, 72%, Fresh	\$ per cwt	58.97	57.68	2.24%	52.76	11.77%		
S Hog By-Product Value	\$ per cwt, live wt	3.90	3.91	-0.26%	3.88	0.52%		
C Young Chicken Slaughter *	Million Head	149.0	167.3	-10.92%	145.6	2.34%	5,801	1.0%
H Avg. Weight (RTC)	Lbs.	4.72	4.60	2.64%	4.57	3.33%	6.12	0.0%
I Young Chicken Production (RTC)	Million Lbs.	703.2	769.0	-8.56%	665.0	5.74%	26,973	1.0%
C Eggs Set (19-state)	Million	208.6	211.2	-1.24%	198.9	4.87%	7,702	2.6%
K Chicks Placed (19-state)	Million Head	174.3	174.9	-0.35%	170.3	2.31%	6,274	1.7%
E National Composite Whole Bird	Composite	90.00	89.76	0.27%	77.78	15.71%		
E Northeast Breast, B/S	\$/cwt	136.5	144.02	-5.22%	134.3	1.64%		
E Northeast Leg Quarters	\$/cwt	42.28	42.03	0.59%	33.31	26.93%		
T Total Turkey Slaughter *	Million Head	3.774	4.098	-7.91%	3.595	4.98%	148,499	-2.0%
U Avg. Weight (RTC)	Lbs.	24.55	24.82	-1.08%	24.35	0.83%	31.55	2.2%
R Turkey Production (RTC)	Million Lbs.	92.7	101.7	-8.90%	87.5	5.85%	3,762	0.0%
K National Hen (8-12 lb)	8-16 Lbs.	92.19	101.70	-9.35%	87.50	5.36%		
G 0.00	\$ per Bushel	3.19	3.20	-0.31%	2.97	7.41%		
R Soybeans, Cntrl IL	\$ per Ton	120.00	110.00	9.09%	127.50	-5.88%		
A Corn, Omaha	\$ per Bushel	3.78	3.74	1.07%	3.35	12.84%		
I Wheat, Portland (delivered)	\$ per Bushel	9.64	9.64	0.00%	9.81	-1.73%		
N Wheat, Kansas City (deliv.)	\$ per Ton	310.00	304.70	1.74%	344.10	-9.91%		

* 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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