

The value of byproducts sold by beef packers coming from the slaughter of steers and heifers has been unusually weak since mid-year. Heavy native steer hide values have accounted for most of this decline, dropping from \$66 per piece in late June to current market prices around \$60 last year, this same grade of hides were trading for \$75 in late June, declining slightly through the summer to finish September at \$74, according to USDA-AMS (Agriculture Marketing Service). Typically, hides account for about a half of the total value of the non-conventional meat products coming from the slaughter process. Other important products are tallow (edible and inedible), tongues, oxtails, and tripe.

The supply of hides as defined by the level of steer and heifer slaughter has a varied influence on hide values. Steer and heifer slaughter for the months of July and August hit its low point in 2015 as placements of cattle into feedlots in the first half of that year were down sharply from prior years. The effects of a smaller beef cow breeding herd and reduced calf crops in prior year was having its full impact. In 2016, steer and heifer kill during July and August increased by 8% from a year earlier. Hide prices in the summer of 2015 averaged \$75 per piece, and as stated above, hide prices last summer stayed close to \$74, only a slight decline from the prior year. This year, steer and heifer slaughter was up 5% from a year ago in July and August with the value of hides slipping 15% from a year ago.

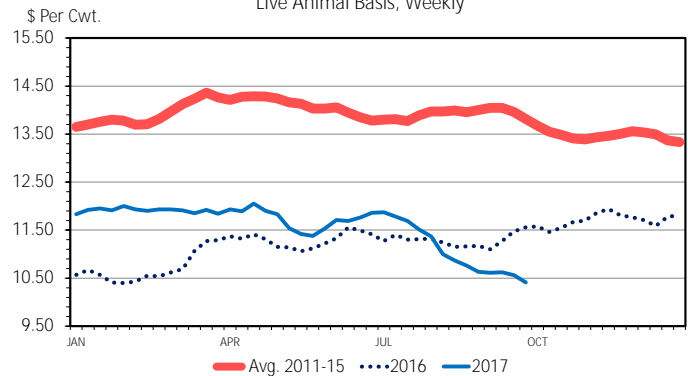
Export data for hides from USDA-FAS (Foreign Agriculture Service) shows a big increase in hide exports this year. Interestingly, exports last year were very close to 2015 export volumes, even though cattle slaughter was up, suggesting that availability of hides for export would normally be expected to increase as well. With hide volumes for exports in 2016 close to the same as 2015, hide values were also similar. This year, hide volumes moving into export channels have increased and prices have been under pressure.

The monthly count of bovine hides exported, both whole and pieces, so far this year is running close to 60% of commercial cattle slaughter, ranging from a low of 56% in January to 64% in May. The first nine months of 2016 saw this percentage in the 50-55% range, then moving to 56-60% in the last three months of 2016.

An inference that the difference between cattle slaughter and hide pieces exported represents domestic hides marketed for leather products made in the US might be valid. If this is the case, then domestic leather product manufacturing sourced from US hides fell by more than 20% from the year prior during the April-June interval, after running close to prior year levels in the first three

STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

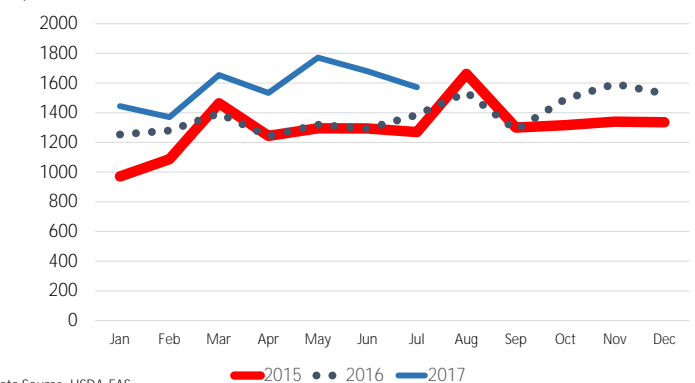


Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-39
10/02/17

US Cattle Hide Exports Whole and Pieces

1,000 Pieces



Data Source: USDA-FAS
Livestock Marketing Information Center

months of the year. Data for July (the latest month for available export data) registered only a 4% decline compared to July 2016, based on the difference between cattle slaughter and hide piece exports. These calculations omit adjustments for hide inventory accumulation or liquidation.

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