

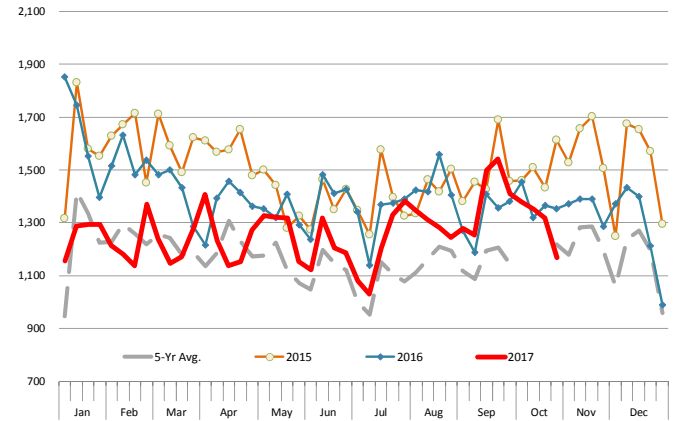
Firm cash hog prices continue to underpin the lean hog contract. Cash hog prices gained 5% for the week (see page 2) and they are currently as much as 26% higher than a year ago (net price).

Interestingly, the IA/MN base price is now running 45% above year ago levels, a clear indication in our mind of the impact that the two new processing plants have had on packer/producer margins. Last year hog production started to exceed available daily capacity and producers had little choice but to take lower bids and have their hogs slaughtered with extra shifts or on Saturday. The two new hog processing plants in Sioux City and Coldwater are not yet operating at full capacity but they have provided the much needed slack to allow producers in these areas to market their hogs in a more timely fashion. Saturday slaughter this week was pegged at 200,000 head, down 30% from the same week a year ago and also under the 232,000 head slaughtered for the same week in 2015. In the last three weeks Saturday hog slaughter has been running 35% under last year. Hog carcass weights remain near year ago level, an indication producers remain current in their marketings and thus lending support to cash hogs.

Hog supplies are expected to remain record large through the end of the year. USDA indicated that weekly hog slaughter in November should run around 3.9% above last year's record numbers and we should expect year/year increases in pork production for much of next year as well. Higher slaughter capacity has helped alleviate the constraints that producers faced last year. The new plants do little in terms of selling pork at higher prices. The pork cutout last week averaged \$76.7/cwt, 4.9% higher than a year ago despite a 4.6% increase in pork production. Pork demand has been better than many expected but one also needs to consider the short term effect of expectations and end user positioning. While pork production was up 4.6% last week, the amount of pork that was sold on a spot basis was actually down as much as 13% compared to a year ago. One could look at this decline of sales in the spot market and conclude that demand may be softening. We have a different take. We think the shortfall of spot sales indicates that packers have done a very good job, at least so far, to get more sales on the books on a formula or forward basis. Furthermore, expectations of lower pork prices likely encouraged retailers and other end users to expand their pork features. After all, there was going to be a record amount of pork this fall and thus supply was not an issue. Also helping the pork market so far is the surge in export sales during September, which has further reduced the amount available in the spot market. The next few weeks will be more challenging, however. Prices for some products, especially hams, picnics and trim are quite a bit higher than some market participants likely budgeted for. This may impact retail features for the year-end holidays as well as the level of pork sold into export channels. Already we have started to see a slowdown in the works. Export sales based on the MPR

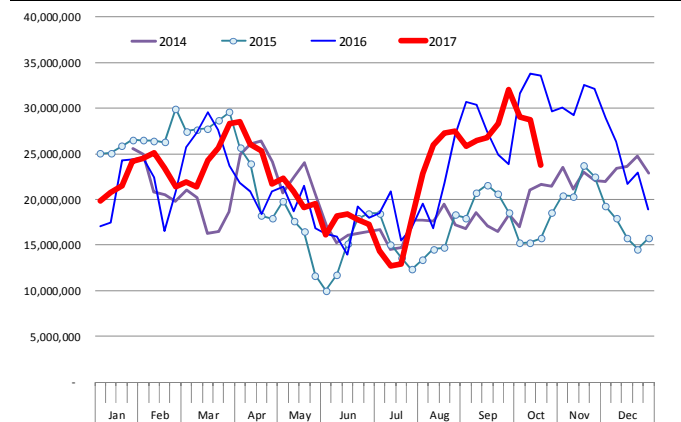
Volume of Pork Cuts Traded in the Negotiated Market

Source: USDA



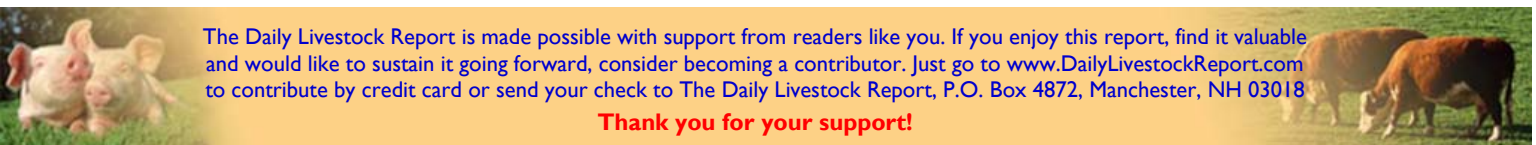
Weekly MPR Export Sales Volume, All Pork - 4-week Moving Avg.

Based on MPR. Does not include NAFTA. Data Source: USDA/AMS. Analysis by Steiner Consulting



system (they do not cover Mexico/Canada) were down 28% for week ending October 20 and have been down for three consecutive weeks. It will be interesting to see how MPR export sales performed last week (data will be released this AM).

Bottom line: Domestic and export markets have been able so far to absorb the surge in red meat and poultry production. Rally in futures reflects the reality of better than expected demand but participants will pay close attention if



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **10/28/2017**

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
		28-Oct-17	21-Oct-17		29-Oct-16			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	1,931	1,945	-0.72%	1,909	1.16%	78,143	2.3%
C FI Slaughter	Thou. Head	617	629	-1.91%	614	0.44%	26,183	5.6%
C FI Cow Slaughter **	Thou. Head	118	116	2.02%	110	7.50%	4,503	5.1%
T Avg. Dressed Weight	Lbs.	826	827	-0.12%	843	-2.02%	812	-1.5%
T Beef Production	Million Lbs.	508.4	519.0	-2.04%	516.1	-1.49%	21,258	4.0%
L Live Fed Steer Price	\$ per cwt	110.53	110.87	-0.31%	104.15	6.13%		
E Dressed Fed Steer Price	\$ per cwt	175.00	174.92	0.05%	163.62	6.96%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	153.07	160.92	-4.88%	125.58	21.89%		
& Choice Beef Cutout	\$ per cwt	201.05	198.63	1.22%	182.00	10.47%		
Hide/Offal	\$ per cwt, live wt	10.06	10.20	-1.37%	11.67	-13.80%		
B Rib Primal, Choice	\$ per cwt	352.56	350.85	0.49%	304.37	15.83%		
E Round Primal, Choice	\$ per cwt	167.98	168.08	-0.06%	159.20	5.52%		
E Chuck Primal, Choice	\$ per cwt	169.62	168.21	0.84%	160.00	6.01%		
F Trimmings, 50%	\$ per cwt	65.81	55.93	17.66%	34.98	88.14%		
Trimmings, 90%	\$ per cwt	213.80	215.20	-0.65%	191.96	11.38%		
FI Slaughter	Thou. Head	2,526	2,480	1.85%	2,407	4.96%	98,723	2.9%
FI Sow Slaughter **	Thou. Head	56.8	58.8	-3.41%	57.9	-1.88%	2,317	0.6%
H Avg. Dressed Weight	Lbs.	211.0	211.0	0.00%	211.0	0.00%	211	-0.3%
O Pork Production	Million Lbs.	531.5	522	1.82%	508.1	4.61%	20,783	2.6%
G Iowa-S. Minn. Base	Wtd. Avg.	65.52	62.62	4.63%	45.32	44.57%		
S Natl. Base Carcass Price	Wtd. Avg.	65.90	62.53	5.39%	51.93	26.90%		
Natl. Net Carcass Price	Wtd. Avg.	68.12	64.74	5.22%	54.14	25.82%		
Pork Cutout	205 Lbs.	76.71	74.75	2.62%	73.15	4.87%		
Ham Primal	\$ per cwt	69.40	66.79	3.91%	57.19	21.35%		
Loin Primal	\$ per cwt	75.75	74.77	1.31%	71.98	5.24%		
Belly Primal	\$ per cwt	99.13	95.76	3.52%	110.95	-10.65%		
Trimmings, 72%, Fresh	\$ per cwt	60.03	61.38	-2.20%	42.84	40.13%		
Hog By-Product Value	\$ per cwt, live wt	3.78	3.83	-1.31%	3.71	1.89%		
C Young Chicken Slaughter *	Million Head	164.4	165.9	-0.90%	163.0	0.86%	6,797	1.2%
H Avg. Weight (RTC)	Lbs.	4.70	4.77	-1.43%	4.74	-0.80%	6.13	0.0%
I Young Chicken Production (RTC)	Million Lbs.	773.3	791.7	-2.32%	772.9	0.05%	31,684	1.2%
C Eggs Set (19-state)	Million	205.4	208.1	-1.30%	201.6	1.84%	8,944	2.6%
K Chicks Placed (19-state)	Million Head	165.5	172.0	-3.79%	162.9	1.62%	7,292	1.7%
E National Composite Whole Bird	Composite	84.81	84.21	0.71%	70.81	19.77%		
Northeast Breast, B/S	\$/cwt	113.54	113.42	0.11%	110.59	2.67%		
Northeast Leg Quarters	\$/cwt	38.98	39.1	-0.31%	32.95	18.30%		
T Total Turkey Slaughter *	Million Head	4.811	4.47	7.63%	4.668	3.06%	174,604	-1.6%
U Avg. Weight (RTC)	Lbs.	24.48	25.14	-2.64%	23.93	2.31%	31.51	2.3%
R Turkey Production (RTC)	Million Lbs.	117.8	112.4	4.79%	111.7	5.44%	4,418	0.4%
K National Hen (8-12 lb)	8-16 Lbs.	93.64	94.39	-0.79%	122.00	-23.25%		
G Corn, Omaha	\$ per Bushel	3.28	3.39	-3.24%	3.62	-9.39%		
R Distillers Grain, Chicago	\$ per Ton	100.00	97.50	2.56%	125.00	-20.00%		
A Wheat, Kansas City (deliv.)	\$ per Bushel	3.65	3.83	-4.70%	4.42	-17.42%		
I Soybeans, Cntrl IL	\$ per Bushel	9.37	9.46	-0.95%	10.15	-7.68%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	302.40	310.00	-2.45%	331.70	-8.83%		

* 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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