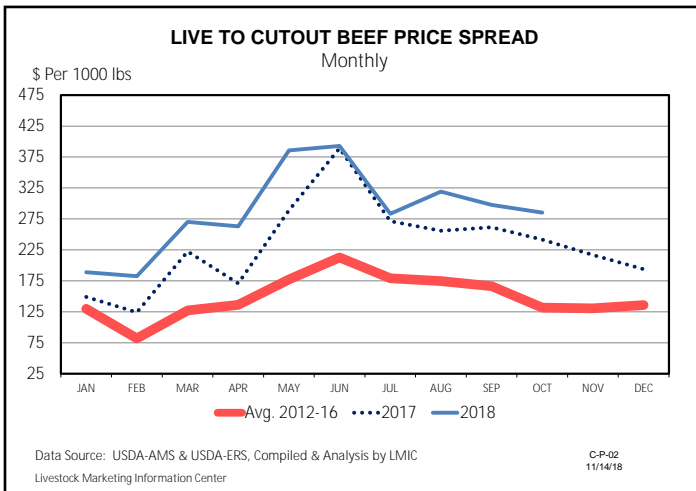
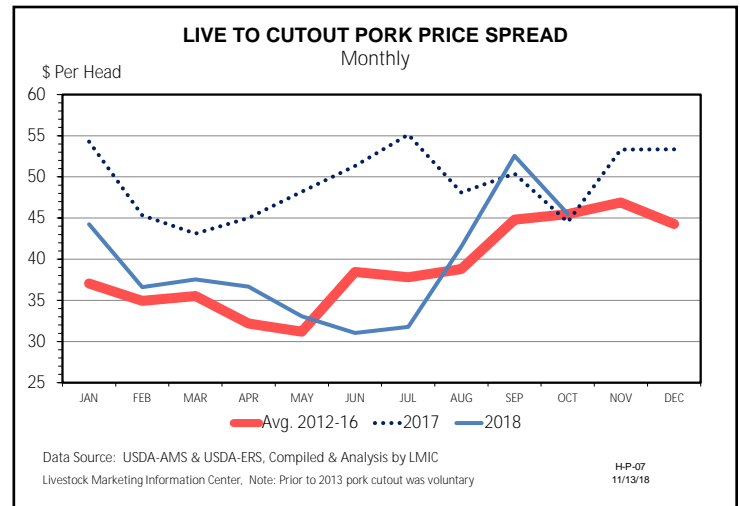


Yesterday, USDA ERS released retail meat sales data. That retail data can be used to calculate a variety of spreads between retail outlets, wholesalers, and the farmers. Today's article will focus on the gross margin of packers, i.e. the price difference between the cutout and live animals for beef, and pork.

Beef gross packer markets have had an excellent year so far this year steaming ahead of last year by almost \$100 per steer in some months. June had the largest spread of the year at \$393 per steer, but was also the month with the smallest gain from a year prior, topping 2017 by a mere 1%. This was a new record high for packer gross margins. Other months this year gained anywhere from 5% to 54%. The latest data in October was \$43 per steer larger than last year.

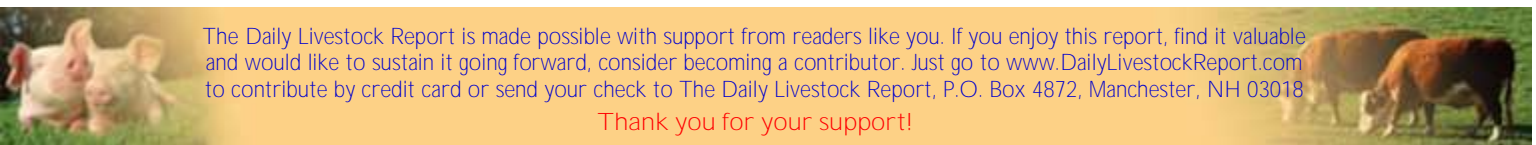
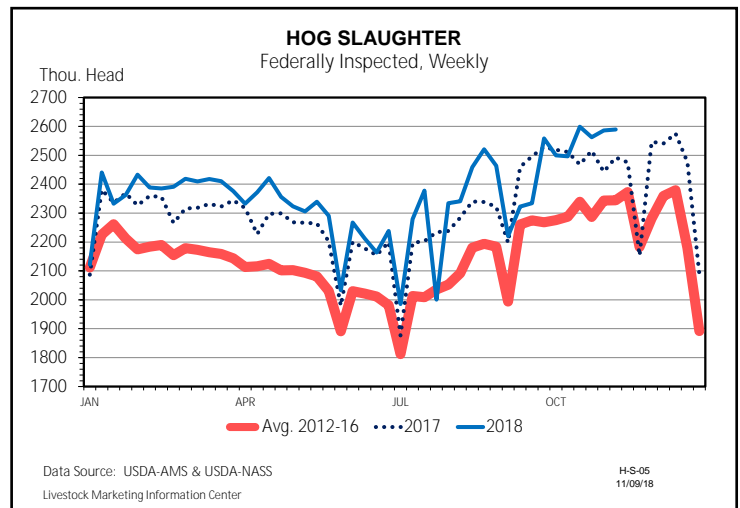


Pork packer margins have experienced the opposite of beef packers. Values here have been systemically low this year. The high point for the year was in September, reaching \$53 per hog. October margins declined relative to September but did gain on the prior year by 2%. This summer, packer margins reached their lowest point of \$31 per head. This is the lowest packer margin since May of 2015. This fall, margins have returned to more normal levels. October was in-line with the five-year average but will need to see further increases in



the cutout value to maintain margins above a year ago or pay less for hogs.

Hog prices rebounded in October, up \$8 per hog from September. Hog prices tend to be weaker in the fall in response to higher hog slaughter volumes. This year appears to be following the same trend heading into November. Preliminary weekly slaughter data show the first two weeks of November to be well ahead of a year ago (pictured below).



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