

Hog futures have rallied in the last few days as the supply of hogs coming to market has been less than earlier expected. Pork demand has been in relatively good shape so far and futures participants are betting that a robust domestic and global economy will continue to underpin pork prices into 2018. But despite the new bout of optimism in the pork complex, there are a number of data points that are worth considering.

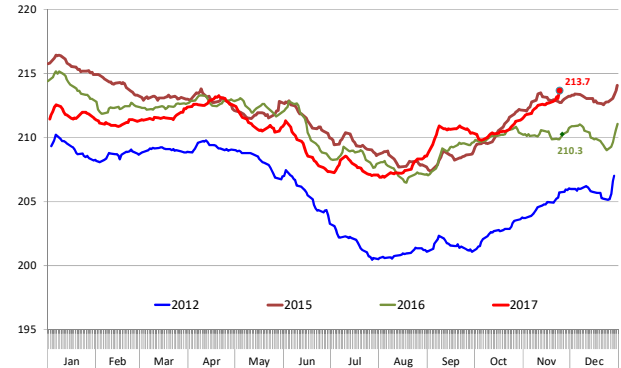
Is the decline in slaughter a sign of fewer hogs on the ground or packers slowing down slaughter due to faltering demand? The steady increase in hog carcass weights offers evidence that producers are quickly losing currentness. The actual USDA data on hog weights is two weeks old at this point but the MPR statistics offer a more current picture. For the four days ending November 24, the average weight of producer owned barrows and gilts was 213.7 pounds per carcass, 3.4 pounds (+1.6%) higher than a year ago. Hog weights normally increase during a holiday shortened week so the increase on Friday is understandable and we think weights will be higher still when we look at Monday and Tuesday numbers. However, what is concerning is that slaughter on Monday was a very short 445,000 head. Even if we assume hog slaughter will run near 460k head the next few days, slaughter needs to be notably higher on Saturday in order to match year ago levels. At this point it looks like Saturday slaughter will be just a little over 200k head rather than 290k head needed to surpass year ago levels. The point of all this is that slaughter will likely miss, once again, the target levels established by the September 'Hogs and Pigs' report. Producers have already lost some negotiating ground, all one had to do is look at the increasing spread between cash hog prices and the cutout. The widening spread between the base price and the net price points to that as well. Unless producers are able to get weights under control in the next two weeks, we could see producers fall even further behind with two major holidays at the end of the year.

But export demand will fix everything. While possible, it does not look like export business is performing as well as it did a year ago. The pork export sales data from the Mandatory Price Reporting system tells only part of the story since it does not capture sales to NAFTA countries. Still, weekly export sales to overseas destinations have been trending lower since early October and they are even under 2015 levels. The chart to the right shows a 4-wk moving average of MPR sales export volume. For the week ending November 24 export sales volume was 11% under last year and in the last four weeks sales are down 39% from the same period a year ago. Again, its an incomplete story but it offers some ideas on direction.

Is cheap pork the answer to retail feature needs for January? There is no question that pork supplies remain plentiful and offer opportunities to merchandise pork in Q1. However, current pork cutout is 10% higher than a year ago. The pork retail feature index in November is down 11% compared to a year ago and it has been lower than a year ago for the last three months. A decline in retail features is particularly problematic for hams in the second half of December, especially if Mexico business fails to match last year's levels.

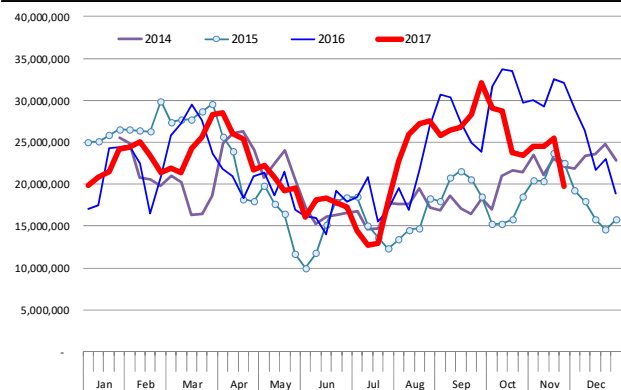
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Nov 24, 2017



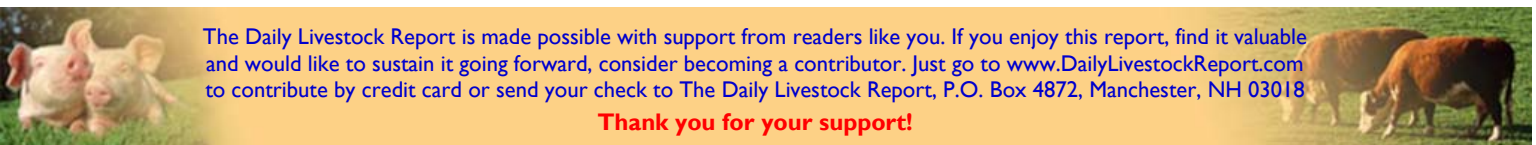
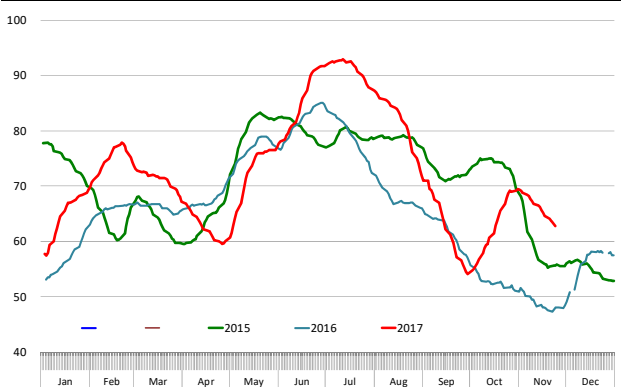
Weekly MPR Export Sales Volume, All Pork - 4-week Moving Avg.

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



CALCULATED 1 DAY CASH HOG INDEX

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM_HG201



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **11/25/2017**

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	
		25-Nov-17	18-Nov-17		26-Nov-16				
Total Beef, Pork, Chicken, Turkey		mil lbs., cwe	1,808	1,933	-6.48%	1,781	1.53%	85,789	2.1%
C	FI Slaughter	Thou. Head	572	639	-10.49%	549	4.19%	28,676	5.4%
	FI Cow Slaughter **	Thou. Head	120	121	-1.10%	117	2.66%	4,983	5.0%
T	Avg. Dressed Weight	Lbs.	830	828	0.24%	846	-1.89%	813	-1.5%
T	Beef Production	Million Lbs.	473.7	528.2	-10.32%	463.5	2.20%	23,324	3.8%
L	Live Fed Steer Price	\$ per cwt	118.97	119.35	-0.32%	111.05	7.13%		
E	Dressed Fed Steer Price	\$ per cwt	189.09	189.31	-0.12%	173.03	9.28%		
	Oklahoma Steer (600-700 lbs)	\$ per cwt	156.79	165.10	-5.04%	135.22	15.95%		
&	Choice Beef Cutout	\$ per cwt	208.70	210.22	-0.72%	186.29	12.03%		
	Hide/Offal	\$ per cwt, live wt	10.53	10.42	1.06%	11.81	-10.84%		
B	Rib Primal, Choice	\$ per cwt	385.23	378.29	1.83%	371.91	3.58%		
E	Round Primal, Choice	\$ per cwt	170.31	173.16	-1.65%	152.61	11.60%		
E	Chuck Primal, Choice	\$ per cwt	165.72	170.17	-2.62%	149.29	11.01%		
F	Trimblings, 50%	\$ per cwt	67.69	69.93	-3.20%	46.55	45.41%		
	Trimblings, 90%	\$ per cwt	211.56	212.02	-0.22%	192.83	9.71%		
H	FI Slaughter	Thou. Head	2,157	2,460	-12.32%	2,152	0.22%	108,259	2.5%
	FI Sow Slaughter **	Thou. Head	61.8	56.3	9.77%	61.4	0.73%	2,556	0.6%
H	Avg. Dressed Weight	Lbs.	212.0	212.0	0.00%	211.0	0.47%	211	-0.2%
O	Pork Production	Million Lbs.	458.5	520.2	-11.86%	453.9	1.01%	22,809	2.3%
G	Iowa-S. Minn. Base	Wtd. Avg.	56.81	58.68	-3.19%	41.53	36.79%		
S	Natl. Base Carcass Price	Wtd. Avg.	62.84	64.29	-2.26%	49.17	27.80%		
	Natl. Net Carcass Price	Wtd. Avg.	64.75	66.29	-2.32%	51.29	26.24%		
	Pork Cutout	205 Lbs.	81.86	81.07	0.97%	73.65	11.15%		
	Ham Primal	\$ per cwt	62.69	65.31	-4.01%	74.03	-15.32%		
	Loin Primal	\$ per cwt	72.24	72.30	-0.08%	66.23	9.07%		
	Belly Primal	\$ per cwt	138.96	129.89	6.98%	99.65	39.45%		
	Trimblings, 72%, Fresh	\$ per cwt	63.07	62.49	0.93%	42.78	47.43%		
	Hog By-Product Value	\$ per cwt, live wt	3.96	3.86	2.59%	3.75	5.60%		
C	Young Chicken Slaughter *	Million Head	162.1	164.0	-1.21%	159.1	1.83%	7,453	1.3%
H	Avg. Weight (RTC)	Lbs.	4.71	4.66	1.14%	4.74	-0.64%	6.14	-0.1%
I	Young Chicken Production (RTC)	Million Lbs.	763.6	764.2	-0.08%	754.7	1.18%	34,770	1.3%
C	Eggs Set (19-state)	Million	216.4	211.3	2.46%	210.7	2.71%	9,788	2.6%
K	Chicks Placed (19-state)	Million Head	170.5	168.5	1.18%	165.4	3.07%	7,965	1.8%
E	National Composite Whole Bird	Composite	86.13	85.80	0.38%	81.62	5.53%		
	Northeast Breast, B/S	\$/cwt	102.05	104.41	-2.26%	95.9	6.41%		
	Northeast Leg Quarters	\$/cwt	36.93	40.25	-8.25%	39.04	-5.40%		
T	Total Turkey Slaughter *	Million Head	4.497	5.259	-14.49%	4.457	0.90%	194,527	-1.6%
U	Avg. Weight (RTC)	Lbs.	24.93	22.95	8.65%	24.34	2.43%	31.32	2.1%
R	Turkey Production (RTC)	Million Lbs.	112.1	120.7	-7.09%	108.5	3.35%	4,887	0.2%
K	National Hen (8-12 lb)	8-16 Lbs.	87.30	89.50	-2.46%	106.40	-17.95%		
G	Corn, Omaha	\$ per Bushel	3.20	3.11	2.89%	3.23	-0.93%		
R	Distillers Grain, Chicago	\$ per Ton	122.50	122.50	0.00%	115.00	6.52%		
A	Wheat, Kansas City (deliv.)	\$ per Bushel	3.86	3.85	0.26%	3.46	11.56%		
I	Soybeans, Cntrl IL	\$ per Bushel	9.84	9.59	2.61%	10.29	-4.37%		
N	Soybn Meal 48%, Cntrl IL	\$ per Ton	320.90	307.00	4.53%	324.90	-1.23%		

* 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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