

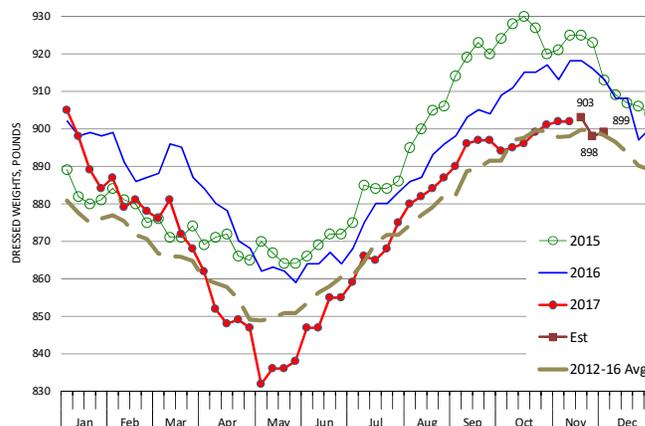
Cattle and hog weights have followed a somewhat different trajectory this fall and this has impacted the amount of meat actually showing up in the marketplace.

Actual weight data is reported with a bit of a lag as USDA needs time to collect and compile all data it receives from inspectors at slaughter facilities. The latest data available is for the week ending November 11. The report showed that the average steer weight for the week was 902 pounds (dressed carcass), 16 pounds (-1.7%) less than the same week a year ago. Seasonally fed cattle weights increase in summer and fall but this year the increase has not been as big as in the last two years. Feedlots have been able to market cattle in a more timely fashion and strong beef demand has allowed beef packers to process more cattle while at the same time preserving their quite lofty margins. The chart to the right shows our estimates for weights for the last two weeks as well as our expectations for the current week. The weight data for week ending November 18 will be released at around 11AM CT today and we expect it will show weight near the same level as the previous week. However, we think cattle carcass weights likely declined during Thanksgiving week and will be only marginally higher this week. This expectation is based on the daily slaughter numbers from the USDA Mandatory Price Reporting system. Seasonally steer weights decline in December, in part because packers need to fill orders for holiday business and thus will maintain the slaughter pace. Winter normally means lower weights so normally we should see fed cattle weights continue to drift lower between now and the end of April. The decline in fed cattle weights has reduced the amount of beef coming to market. Total cattle slaughter in November averaged 619,000 head per week (this is both fed and non fed). The average cattle carcass weight for this period was around 829 pounds (this includes heifers and cows), down 1.5% from the same period a year ago. So while slaughter is up 3%, the amount of beef on a dressed carcass basis is only up 1.5% y/y.

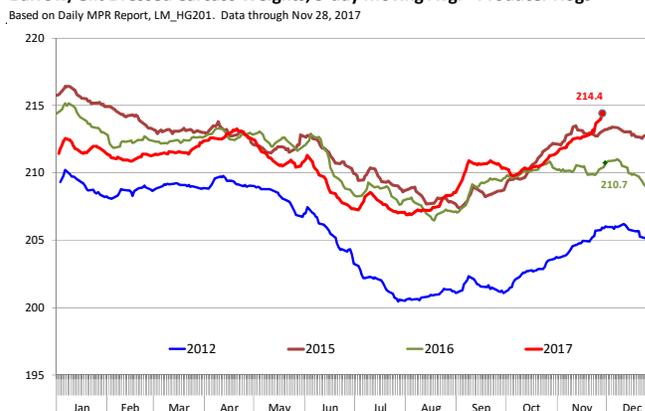
Hog weights, on the other hand, have been trending higher. As with cattle, the latest actual reported data is for week ending November 11, with the average dressed weight of barrows and gilts at 210 pounds per dressed carcass, 1 pound (+0.5%) higher than a year ago.

Interestingly the total hog weights for the last two weeks as estimated by USDA show weights at the end of November lower than they were in mid November. We think this number will see a notable upward revision. As with cattle, the USDA Mandatory Price Reporting system also provides daily updates on the number of hogs and the average weight of those hogs. Currently the average weight of all barrows and gilts as reported by MPR is 214.6 pounds per dressed carcass, 3 pounds (+1.3%) higher than it was a year ago. When we look at the weight of producer owned hogs, weights are even higher than

Actual USDA Weekly Steer Weights. Reported with a Two week lag + Steiner Estimate
Source: USDA & Steiner Consulting Estimates



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



they were last year. We show that in the last five days producer owned barrows and gilts have averaged 214.4 pounds, almost 4 pounds (+1.7%) higher than a year ago. It is not unusual for hog weights to increase after the short Thanksgiving week but the recent trajectory is quite significant. Futures currently hold a premium over cash (December futures higher than cash index). This offers an incentive for producers to delay marketing hogs. The pork cutout continues to hold up as well. **The challenge for the hog market will come when holiday ham demand comes to an end. Early December is not the time to delay marketing hogs.**



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