

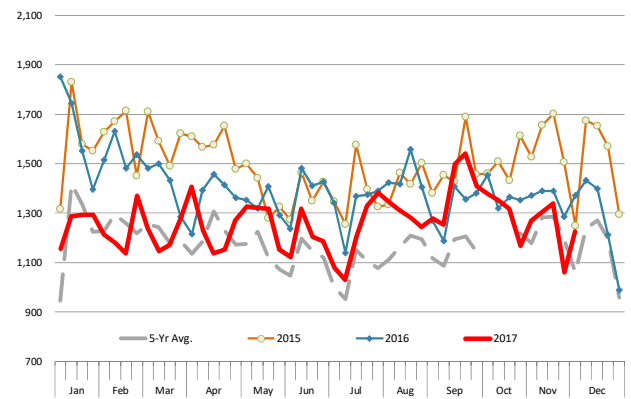
**Pork demand, and especially domestic pork demand, has performed quite well in recent weeks. Evidence of this is the performance of the pork cutout, which last night was quoted at \$83.40/cwt, 12% higher than the comparable period a year ago.**

And while the higher price of pork bellies has certainly contributed to the increase in the cutout, the gains have been broad based. The value of the pork butt primal (pork shoulder) last night was \$87.08, 14% higher than last year, picnic primal is up 15% and the rib primal is up 19%. Much of the gains from other parts of the carcass have been offset by lower prices for hams. The ham primal last night closed at \$66.15/cwt, 15% lower than last year. The increase in the belly value has made much of the difference vs. last year, there is little question about that. The belly primal value is up \$44.69 (+47%), contributing a little over \$7 to the overall carcass. The entire pork cutout gain vs. last year is a little over \$9/cwt. One item that continues to surprise us, and we think is further evidence of robust retail demand for pork, is the amount of pork trading in the negotiated (open) market. Over the years the amount of pork trading in the negotiated market has steadily declined as more and more buyers and sellers find it easier to tie product pricing to the USDA sheet rather than bother with market discovery. Still, given the increase in hog slaughter/production recently, we think it is encouraging from a product clearance perspective that packers have not found themselves in the position where they have to “dump” product in the open market. We think pork production in the last four weeks has likely averaged between 0.5% to 1% above last year. And yet, the load count of pork cuts trading in the negotiated market during the last four weeks has been 9.4% lower than a year ago. The volume is significantly less than in 2015, a year that saw significant pork price erosion in late Q4 and Q1 of the following year. It will be interesting to see how the volume of pork traded will perform later this year and in early 2018. Ham prices have been soft compared to last year and with export sales trending lower, we could see more pork showing up in the open market. Even with strong demand prices could see some setbacks, especially if producers fall behind in their marketings and then are forced to accelerate sales at a time when business slows down (for instance after year end holidays). Still, the strong demand in the domestic market should help set a floor for hog/pork prices. It has been the reason why the pork market has performed so well this year and why futures still hold a fairly optimistic view for 2018.

**The bottom chart shows the volume of choice beef cuts traded in the negotiated market.** Volume in the spot market has been very light in Sep-Nov as beef packers sold a fair amount of beef forward and there was a good flow of product into formula priced business. However, for the current week we estimate that close to 400 loads will be traded in the negotiated market, 59% more than the same week a year ago. Fed slaughter this week will once again be above 500k head as packers need to put together enough ribs and loins to fill holiday needs. The challenge in the very short term for beef is that demand for end cuts usually is soft in early December. Additional end cuts are now coming into the open market, pressuring prices lower.

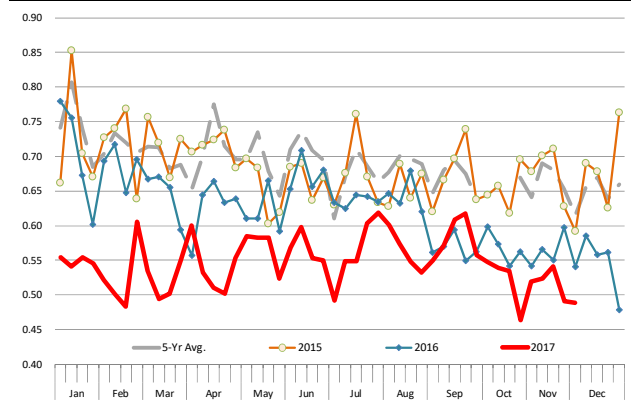
**Volume of Pork Cuts Traded in the Negotiated Market**

Source: USDA/AMS Mandatory Price Reporting System



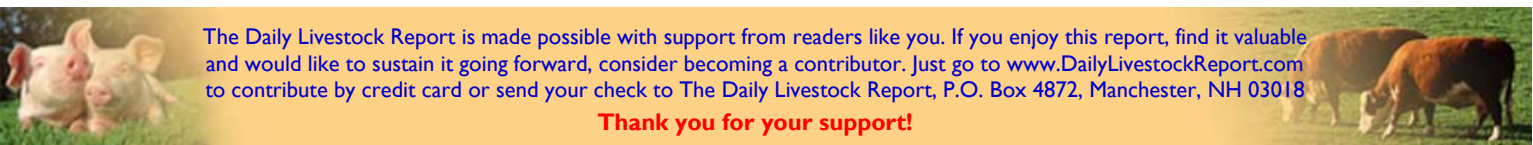
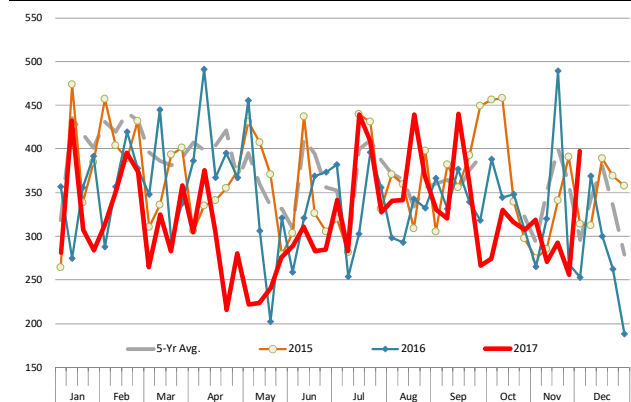
**RATIO OF WEEKLY PORK CUTS TRADED VS. WEEKLY HOG SLAUGHTER**

Source: USDA/AMS Mandatory Price Reporting System



**Choice Beef Volume Traded in the Negotiated Market. # of Loads. Weekly Total**

Source: USDA/AMS Mandatory Price Reporting System



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