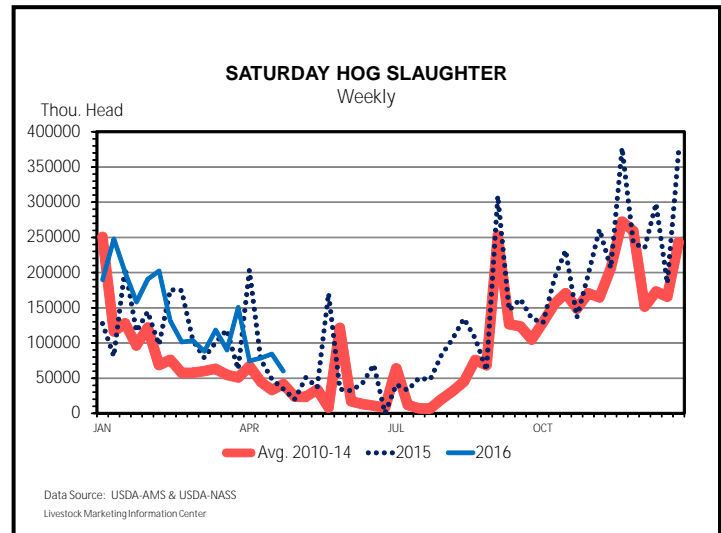


In recent weeks, the fundamental market contrasts between hog/pork and cattle/beef market trends have been important, but last week became even more striking. Directionally, hog and the pork cutout value remained on their seasonal upswing, right on schedule. Fed cattle prices and beef cutout values declined counter seasonally. USDA's preliminary Federally Inspected (FI) production for last week showed hog output at 457.0 million pounds (see the prices and production summary on page 2) was generally in-line with seasonal patterns and indications from the USDA-NASS Quarterly Hogs and Pigs report – pork production was less than 1% below a year ago and the smallest for any week since the week ending January 2, 2016. FI beef production (485.8 million pounds) was up 6.3% year-over-year and was the largest for any week since the week ending December 19, 2015.

Saturday slaughter level is often the swing factor when packers are adjusting output. As with other comparisons, Saturday hog slaughter last week was normal for this time of year and declining generally week-to-week. In contrast, Saturday's cattle slaughter last week was reported at 31,000 head the same as the prior week and the highest since early February (week ending February 2, 2015). Seasonally, Saturday cattle slaughter should be picking-up, but the increases have been earlier and larger than normal for this time of year.

Steer slaughter and total cattle slaughter levels in April were well above forecasts. The latest break-out of FI slaughter is for the week ending April 16th, when steer slaughter was 9.7% over the same week in 2015. For the last six weeks of data, steer slaughter was up dramatically, jumping 9.0% year-over-year. Steer and heifer slaughter, which combined are often referred to as fed cattle slaughter, over that same six week timeframe was up 4.1% year-over-year (note heifer slaughter was below 2015's).

Fed cattle marketing rates have returned to normal levels compared to the depressed situation last year, which eventually was a driver of the 2015 price collapse. Dressed steer and heifer weights seem to confirm that (dropping at a more seasonal pace recently). Additionally, it appears that some fed cattle have been pulled forward (marketed quicker than in recent months and quicker than last year), in part supported by dramatically discounted futures prices. Additionally, on the cash side, cattle feeders can replace animals currently on-feed with feeder cattle that will have much lower breakeven sale prices. Packer margins have been highly positive setting the stage for them to pull animals into plants to the extent possible. The Livestock Marketing Information Center estimated packer margins (difference between live steer cost and the value of meat and byproducts) in the



last four weeks was fully 30% above a year ago.

In the beef market, did the cart get ahead of the horse? That is did beef packers produce more than featuring gear-up and short-term needs of retailers and other buyers had in place? And as a result, did that contribute to pressure on fed cattle prices last week? Based on wholesale price action and slaughter levels in recent weeks the answer could be yes. If that turns out to be true, then some price rebound would be expected. Still, the long-term trend is a beef market that faces more-and-more product after several years of tightening supplies.

To wrap up this article we return to the contrasting recent hog and live cattle markets, and turn our attention to the futures markets. Hog futures prices gained on the week and Friday's close on the June contract (\$81.07 per cwt.) was the highest daily settle since late March. From a traditional textbook standpoint futures can be used to lock in a profit on slaughter hogs for every contract from June through October, based on the Iowa State University estimated total costs of a typical U.S. farrow-to-finish operation. The June Live Cattle contract averaged \$116.58 per cwt (weekly average of the daily close prices), down for the week and collapsing \$9.54 per cwt. over the last five weeks. On a continuous basis, the June Live Cattle contract for the week was the lowest since the week ending June 29, 2012. As has been the case for many months, from a textbook hedging perspective, it remains difficult to get close to locking in a profit feeding cattle.

The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com) to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steve Meyer & Len Steiner, Inc., Merrimack, NH. To subscribe, support or unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com). Copyright © 2015 Steve Meyer and Len Steiner, Inc. All rights reserved.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group, CME and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

## Daily Livestock Report

Sponsored by  CME Group

Vol. 14, No. 86 / May 2, 2016

## PRODUCTION &amp; PRICE SUMMARY

Week Ending 4/30/2016

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary.

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		30-Apr-16	23-Apr-16		2-May-15			
Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,817	1,817	0.0%	1,751	3.8%	29,533	1.6%
C FI Slaughter	Thou. Head	590	587	0.5%	564	4.6%	9,437	1.3%
A FI Cow Slaughter **	Thou. Head	104	99	5.3%	98	6.0%	1,593	0.4%
T Avg. Dressed Weight	Lbs.	825	827	-0.2%	812	1.6%	827	1.6%
T Beef Production	Million Lbs.	485.8	484.5	0.3%	456.8	6.3%	7,809	3.0%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	123.87	126.45	-2.0%	160.69	-22.9%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	194.50	200.68	-3.1%	254.78	-23.7%		
E Oklahoma Steer (600-700 lbs)	\$ per cwt	160.25	160.21	0.0%	244.73	-34.5%		
& Choice Beef Cutout	\$ per cwt	215.51	222.27	-3.0%	256.94	-16.1%		
Hide/Offal	\$ per cwt, live wt	11.31	11.41	-0.9%	13.80	-18.0%		
B Rib, Primal, Choice	\$ per cwt	325.05	335.44	-3.1%	382.85	-15.1%		
E Round, Primal, Choice	\$ per cwt	170.42	178.39	-4.5%	215.15	-20.8%		
E Chuck, Primal, Choice	\$ per cwt	165.56	169.76	-2.5%	200.26	-17.3%		
F Trimmings, 50%, Fresh	\$ per cwt	60.68	73.38	-17.3%	104.11	-41.7%		
Trimmings, 90%, Fresh	\$ per cwt	219.84	218.83	0.5%	297.17	-26.0%		
H FI Slaughter	Thou. Head	2,139	2,241	-4.6%	2,151	-0.6%	38,357	-0.6%
H FI Sow Slaughter **	Thou. Head	56.3	54.9	2.6%	53.4	5.4%	847	1.5%
O Avg. Dressed Weight	Lbs.	214.0	214.0	0.0%	213.0	0.5%	213	-0.6%
G Pork Production	Million Lbs.	457	478.4	-4.5%	458.7	-0.4%	8,179	-1.2%
S Iowa-S. Minn. Direct	Wtd. Avg.	68.62	65.50	4.8%	71.15	-3.6%		
& Natl. Base Carcass Price	Wtd. Avg.	68.68	66.93	2.6%	68.49	0.3%		
Natl. Net Carcass Price	Wtd. Avg.	70.94	69.13	2.6%	70.79	0.2%		
Pork Cutout	\$ per cwt	81.79	80.27	1.9%	72.07	13.5%		
P By-product Value	\$ per cwt, live wt	3.70	3.61	2.5%	3.55	4.2%		
O Ham, Primal	\$ per cwt	67.70	64.69	4.7%	56.42	20.0%		
R Loin, Primal	\$ per cwt	83.00	80.33	3.3%	87.63	-5.3%		
K Belly, Primal	\$ per cwt	112.12	120.20	-6.7%	66.75	68.0%		
Trimmings, 72%, Fresh	\$ per cwt	84.25	74.84	12.6%	59.74	41.0%		
C Young Chicken Slaughter *	Million Head	161.7	159.5	1.4%	157.05	3.0%	2,533	1.6%
C Avg. Weight (RTC)	Lbs.	4.72	4.70	0.5%	4.65	1.5%	4.69	1.5%
H Young Chicken Production (RTC)	Million Lbs.	763.4	749.3	1.9%	730.5	4.5%	11,874	3.1%
I Eggs Set (19-state)	Million	207.9	209.2	-0.6%	207.7	0.1%	3,336	0.5%
C Chicks Placed (19-state)	Million Head	171.3	170.1	0.7%	172.6	-0.8%	2,729	0.8%
K National Composite Whole Bird	Composite	88.75	89.19	-0.5%	107.78	-17.7%		
E Georgia Dock Broiler	2.5-3 Lbs.	111.87	111.76	0.1%	114.32	-2.1%		
N Northeast Breast, B/S	\$ per cwt	118.02	116.65	1.2%	158.59	-25.6%		
Northeast Leg Quarters	\$ per cwt	36.82	34.17	7.8%	33.56	9.7%		
T Total Turkey Slaughter *	Million Head	4.40	4.33	1.7%	4.31	2.3%	66.5	-0.4%
U Avg. Weight (RTC)	Lbs.	25.25	24.19	4.4%	24.33	3.8%	25.14	-0.4%
R Turkey Production (RTC)	Million Lbs.	111.2	104.7	6.2%	104.8	6.1%	1,671	-0.7%
K National Hen (8-12 Lbs)	\$ per cwt	116.50	124.22	-6.2%	105.20	10.7%		
G Corn, Omaha	\$ per Bushel	3.64	3.62	0.6%	3.65	-0.3%		
R Distillers Grain, Chicago	\$ per Ton	127.50	125.00	2.0%	195.00	-34.6%		
A Wheat, Kansas City (delivered)	\$ per Bushel	4.48	4.42	1.4%	5.05	-11.3%		
I Soybean, Cntrl IL	\$ per Bushel	10.14	10.15	-0.2%	9.97	1.7%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	337.10	331.70	1.6%	334.90	0.7%		

\* Chicken &amp; turkey slaughter &amp; production are 1 week earlier than the date at the top of this sheet.

\*\* Cow and sow slaughter reflect levels from two weeks ago (part of "actual" rather than "preliminary" weekly slaughter report).

The Daily Livestock Report is made possible with support from readers like you. If you enjoy reading this report and would like to sustain it going forward, [consider becoming a contributor](http://www.DailyLivestockReport.com) by going to our website: [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com)

Thank you for your support!