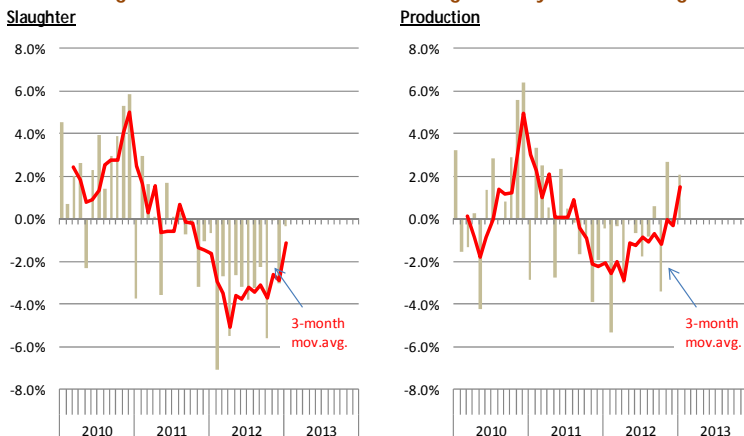


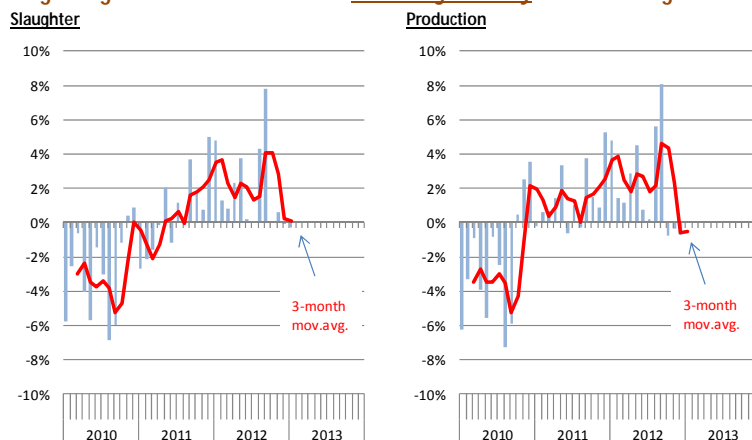
The production statistics that USDA released yesterday afternoon confirmed what the weekly data has been showing for some time. **Beef output in January was higher than a year ago even when we adjust for the fact that there was one more slaughter day in January 2013 than in January 2012.** Pork output per slaughter day, on the other hand, was below year ago levels. Total commercial beef production for January was 2.260 billion pounds, 6.9% higher than last year. There were 22 slaughter days in January 2013 compared to 21 days in January 2012. When adjusting for this difference (i.e. calculate output per slaughter day), **commercial beef production in January was 2.1% higher than a year ago.** While beef and cattle supplies were down significantly for much of 2012, the pace of beef production declines has slowed down and, in the last three months, beef output on a slaughter day basis was 1.5% higher than it was a year ago. Last fall, futures were pricing live cattle for early 2013 off the assumption that we would see a dramatic decline in cattle slaughter and beef production. That has yet to come about with beef prices under increasing pressure. Please note the significant difference in the two beef charts to the right. The three month moving average in cattle slaughter (also adjusted on a slaughter day basis) was down about 4% for much of 2012. In January, total cattle slaughter was 2.835 million head, 4.4% higher than in January 2012. And yet, on a per slaughter day basis, cattle slaughter in January was 0.4% smaller than a year ago. Big increases in carcass weights have significantly skewed the volume of beef that is coming to market each week. Cattle weights are slowly moving lower but they were still much higher than a year ago in January. The average dressed steer carcass weighted 873 pounds, about 20 pounds or 2.3% higher than it was a year ago. Heifer and cow carcasses also were heavier, with the average cow carcass at 620 pounds, 15 pounds or 2.5% bigger than January 2012.

Pork producers were able to dramatically change the trajectory of pork production last fall and the production declines were sustained in January. Total commercial pork production last month was 2.065 billion pounds, 3.9% larger than a year ago. When adjusting for the difference in slaughter days, however, **pork output was 0.4% lower than in January 2012.** Daily hog slaughter in January was down 0.3% from last year while hog carcass weights were only slightly below year ago levels. Pork futures have also come under significant pressure recently, largely due to the sharp decline in cattle values but also concerns about the outlook for pork exports in 2013. With almost a quarter of US pork going to other markets, exports will continue to be a significant driver going forward. USDA will release the results of its monthly survey of cold storage warehouses today and it will be

Cattle Slaughter & Beef Production Per Slaughter Day: Y/Y % Change



Hog Slaughter & Pork Production Per Slaughter Day: Y/Y % Change



interesting to see how well packers were able to move pork supplies in January. While stocks of pork bellies in storage are lower than a year ago, a number of items (both retail items like loins or foodservice items like ribs) continue to be significantly above year ago levels. Producers and packers have been able to keep production in check but if product is still backing up in warehouses, it is a problem. Normally pork cold storage stocks are higher in January compared to December levels. The market is looking for the pace of the pork inventory build to be below the five year average pace. If that fails to happen, it could put additional downward pressure on already weak futures prices.

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