Daily Livestock Report

Sponsored by CME Group

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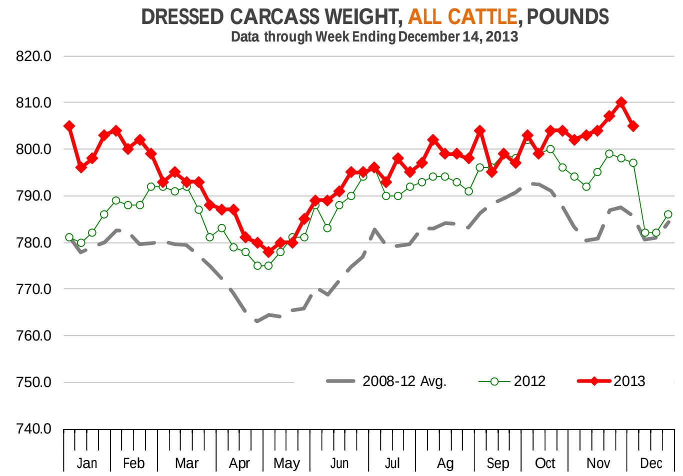
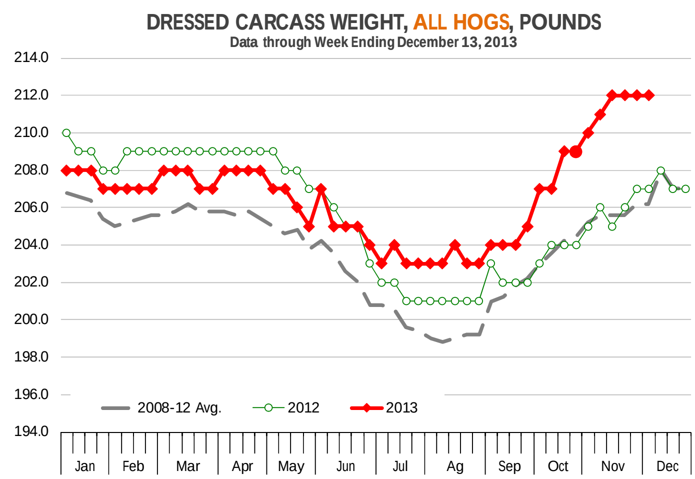
<u>Biological lags will continue to constrain livestock expansion in 2014 even as lower feed costs certainly provide an incentive for producers to bring more product to market</u>. In the case of cattle, it takes a little over 3.5 years before producers make the decision to expand and the time an extra box of beef heads for the supermarket or restaurant. In the case of hogs, the lag is shorter but it still it takes about 15 months or so to expand (including the time needed to hold back gilts, gestation and feeding). Faced with the short term inelasticity of livestock supply growth, the easiest and quickest way for producers to expand production is to try and add more pounds on cattle or hogs already on the ground. In recent weeks, the trend on both has been somewhat predictable although the magnitude of the increase in the case of hogs has been truly staggering. The average dressed cattle weight for the week ending December 14 was 807 pounds, 0.9% higher than the same period a year ago. Weights have continued to increase despite the removal of Zilmax in the fall. Keep in mind, however, that the main reason for the strong increase in cattle weights is because there were fewer cows in the mix this year compared to a year ago. An average steer carcass at this time of year weights about 875 pounds while a cow carcass is about 625 pounds. With more steers than cows coming to market in recent weeks, weights will be higher. Cow slaughter in November (based on daily numbers) was about 8% lower than a year ago while steer/heifer slaughter was about 1%lower. So far in December, steer/heifer slaughter has been down 1.4% compared to last year while cow slaughter has declined 13%. Steer average carcass weights in November were up 0.3% from last year while heifer average weights were down 0.4%. So while the removal of Zilmax may not have caused weights to decline precipitously, it is fair to say that weight increases have levelled off. It will be difficult for producers to continue to expand production through heavier weights while at the same time maintaining the current feeding regime, let alone removing beta-agonists from part of the herd in order to gain some export business.

<u>Pork production, on the other hand, has benefited significantly from a push by producers to rapidly increase hog weights even as some hogs were lost due to PEDv virus last summer</u>. USDA pegged the average hog carcass weight last week at 212 pounds. This is an estimate and we think USDA will revise this number higher once all the data is compiled (revised numbers are published with a two week lag). The Mandatory Price Reporting system pegs average hog carcass weights at 213.4 pounds last week, up 3.2% from a year ago. Hog slaughter for the week was up 0.6%, which implies that total pork production for the week was over 4% last week. The weight of producer owned hogs averaged 211.6 pounds (+2.9%) while the average carcass weight of packer owned hogs was 218.3 pounds, +3.7% higher than a year ago. It is not unusual for packer owned hogs to be heavier at this time of year but the magnitude of the increase is unprecedented. The increase in weights has more than offset the declines due to PEDv. Much of the discussion on PEDv has focused on the potential decline in hog numbers. So far, packers and producers have demonstrated that they can offset much/all of this through weight increases. Hog weight performance and the potential expansion of the sow herd present the biggest wild cards for pork supply expansion, especially in the second half of 2014.





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PRODUCTION & PRICE SUMMARY

Week Ending 12/14/2013

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
			14-Dec-13	7-Dec-13		15-Dec-12			
	Total Red Meat & Poultry	**mil lbs., cwe**	**1,750**	**1,602**	9.26%	**1,786**	-2.01%	**84,722**	0.3%
	FI Slaughter	Thou. Head	608	629	-3.34%	641	-5.10%	30,665	-1.8%
C	FI Cow Slaughter **	Thou. Head	103	129	-20.50%	143	-28.19%	5,772	-2.2%
A	Avg. Live Weight	Lbs.	1348	1352	-0.30%	1327	1.58%	1,316	0.9%
T	Avg. Dressed Weight	Lbs.	807	805	0.25%	800	0.88%	796	0.8%
T	Beef Production	Million Lbs.	489.6	505.0	-3.05%	511.5	-4.28%	24,322	-1.2%
L	Live Fed Steer Price	$ per cwt	130.16	131.87	-1.30%	124.30	4.71%		
E	Dressed Fed Steer Price	$ per cwt	NQ	208.78	NA	198.74	NA		
	OKC Feeder Steer, 600-700	$ per cwt	N/A	173.62	N/A	153.69	N/A		
&	Choice Beef Cutout	$ per cwt	201.32	202.65	-0.66%	195.04	3.22%		
	Hide/Offal	$ per cwt, live wt	14.97	14.99	-0.13%	13.10	14.27%		
B	Rib, Choice	$ per cwt	354.32	355.04	-0.20%	333.39	6.28%		
E	Round, Choice	$ per cwt	172.16	172.55	-0.23%	162.62	5.87%		
E	Chuck, Choice	$ per cwt	165.47	167.70	-1.33%	153.74	7.63%		
F	Trimmings, 50%	$ per cwt	90.01	99.93	-9.93%	75.89	18.61%		
	Trimmings, 90%	$ per cwt	197.55	193.82	1.92%	206.94	-4.54%		
	FI Slaughter	Thou. Head	2,311	2,320	-0.39%	2,298	0.59%	106,207	-1.5%
	FI Sow Slaughter **	Thou. Head	44.2	60.3	-26.70%	64.5	-31.45%	2,695	-2.9%
H	Avg. Dressed Weight	Lbs.	212.0	212.0	0.00%	207.0	2.42%	207	0.5%
O	Pork Production	Million Lbs.	490	491.2	-0.24%	474.6	3.24%	21,965	-0.9%
G	Iowa-S. Minn. Direct	Wtd. Avg.	78.36	79.26	-1.14%	79.22	-1.09%		
S	Natl. Base Carcass Price	Wtd. Avg.	79.81	80.67	-1.07%	81.39	-1.94%		
	Natl. Net Carcass Price	Wtd. Avg.	81.89	82.70	-0.98%	83.71	-2.17%		
	Pork Cutout	205 Lbs.	89.47	90.27	-0.89%	NA			
	Hams	$ per cwt	85.02	83.60	1.70%	NA			
	Loins	$ per cwt	87.26	88.16	-1.02%	NA			
	Bellies	$ per cwt	119.91	125.27	-4.28%	NA			
	72CL Pork Trim	$ per cwt	62.44	69.41	-10.04%	61.57	1.41%		
C	Young Chicken Slaughter *	Million Head	149.4	123.0	21.48%	153.2	-2.49%	7,533	1.1%
H	Avg. Weight (Live)	Lbs.	5.86	5.79	1.21%	5.94	-1.35%	5.81	0.9%
I	Chicken Production (RTC)	Million Lbs.	665.4	541.2	22.94%	687.2	-3.16%	33,258	2.8%
C	Eggs Set	Million	199.7	201.3	-0.82%	190.3	4.92%	9,721	#DIV/0!
K	Chicks Placed	Million Head	163.3	157.0	3.96%	163.3	-0.06%	8,013	#DIV/0!
E	12-City Broiler Price	Composite	94.89	95.02	-0.14%	94.93	-0.04%		
N	Georgia Dock Broiler Price	2.5-3 Lbs.	104.4	103.7	0.68%	97.28	7.32%		
	Northeast Breast, B/S	$/cwt	125.41	126.64	-0.97%	129.71	-3.32%		
	Northeast Legs	$/cwt	57.78	59.36	-2.66%	65.32	-11.54%		
T	Young Turkey Slaughter *	Million Head	4.250	2.563	65.82%	4.61	-7.81%	213.124	-2.9%
U	Avg. Live Weight	Lbs.	30.96	31.44	-1.53%	30.64	1.04%	30.44	#DIV/0!
R	Turkey Production (RTC)	Million Lbs.	105.2	64.5	63.26%	112.9	-6.81%	5,177	-2.6%
K	Eastern Region Hen Price	8-16 Lbs.	102.32	101.45	0.86%	95.50	7.14%		
G	Corn, Omaha	$ per Bushel	4.28	4.25	0.71%	7.46	-42.63%		
R	DDGs, Minnesota	$ per Ton	207.50	201.50	2.98%	245.00	-15.31%		
A	Wheat, Kansas City	$ per Bushel	6.72	6.95	-3.31%	8.22	-18.25%		
I	Soybeans, S. Iowa	$ per Bushel	13.36	13.42	-0.45%	14.97	-10.75%		
N	Soybn Meal, 48% Decatur	$ per Ton	491.10	489.10	0.41%	474.80	3.43%		

* 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.