

First, we have to correct a few omissions in yesterday's edition regarding negative stories on the meat industry. We neglected to activate the links in our .pdf version yesterday, so [CLICK HERE](#) go to Meatingplace.com's story on the PEDv-related video and [CLICK HERE](#) to go to MeatPoultry.com's story on the recently-released book. [CLICK HERE](#) to read HSUS's own statement about replacing meat in human diets.

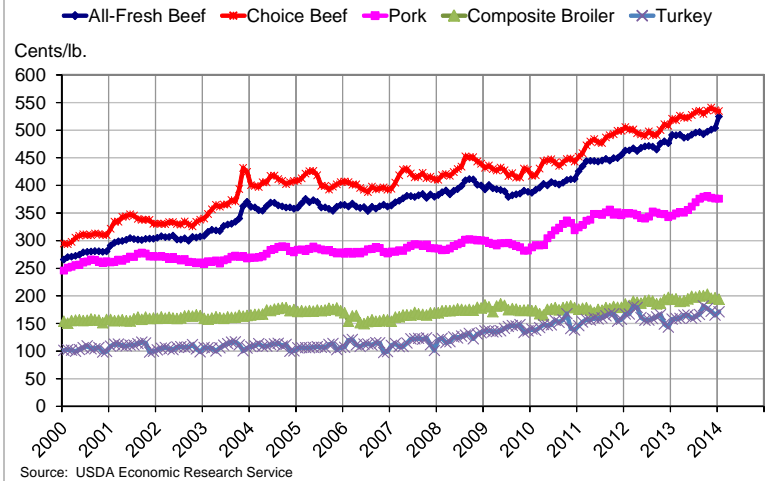
In addition, we failed to properly attribute the charts in yesterday's issue. The Livestock Marketing Information Center, various USDA agencies and Iowa State University should have been credited for them and we apologize for omitting the proper references. Copies of all three charts with proper attribution appear on page 2.

An expert panel of animal care specialists set up by the Center for Food Integrity has examined the video referenced in yesterday's issue regarding the use of animal tissues to inoculate pigs for porcine epidemic diarrhea virus. The panel highlighted that feedback is the only control method available for the disease at the present time and that pigs in confinement barns are not more prone to the disease than those raised in outdoor settings. They also stated that the "ethical" problem of cannibalism raised by HSUS should be trumped by the ethical responsibility to prevent diseases and the loss of additional animals. The panel did agree with HSUS on one issue: That the practice may be, at least in a technical sense, illegal in Kentucky due to a decades-old regulation that prohibits feeding garbage and defines garbage as material containing animal tissue. That regulation (and ones similar to it in other states) was aimed primarily at preventing the spread of classical swine fever (a.k.a. hog cholera), hoof and mouth disease and trichinosis. The first two diseases have not been present in the U.S. for decades while the incidence of trichinosis is extremely low and, to our knowledge, completely limited to wildlife and rare instances where pigs could interact with wildlife. It appears to us that the feedback process is fundamentally different from garbage feeding in that the source of the animal tissue is known, controlled and used for a specific purpose. But laws should be respected or properly changed and the panel's attention to this detail is, we think, absolutely proper. For a thorough summary of the panel's report, [CLICK HERE](#) to see an article from Feedstuffs Newspaper.

USDA's estimate of the retail price of All Fresh beef set a new record in January while the retail prices for all other species remained within 10 cents per pound of their all-time records. As can be seen in the chart above right, the increase in the All Fresh beef price, which includes all grades of beef sold in retail stores, was especially abrupt from December to January. The price reach a record-high \$5.247 per pound, up 4.2% from December and 6.8% from one year ago. It also puts the All Fresh price just 10.1 cents per pound below the Choice beef price, the closest that those two prices have ever been.

As can be seen in the chart, there have been few such sharp monthly price changes for any of USDA's retail prices for any month since 2000 — and even back to 1990 in the historical data

RETAIL MEAT PRICES, USDA



set. The only larger one was in November 2003 when the Choice beef price jumped 38.4 cents per pound (9.8%) in one month. That increase was in the aftermath of Canada's first BSE case in May of that year and the subsequent banning of Canadian feeder and slaughter cattle from the U.S. By that fall, U.S. beef supplies had tightened sharply, pushing prices to then-record levels. The All Fresh beef price jumped by 22.5 cents per pound or 6.6% that month as well.

We are a little suspicious of this abrupt jump in the All Fresh price. The Choice-Select wholesale value spread (ie. the difference between USDA's Choice and Select cutout values) has been tight in absolute terms and record tight in percentage terms since late December. That would suggest an eventual tightening of the difference between the Choice and All Fresh retail prices but this strikes us as too quick for those prices to be seen in the BLS-ERS retail price data. It usually takes longer for wholesale price changes to be reflected at the retail level.

But our suspicion of this sharp increase should not overshadow the most important fact: Beef prices are high, will remain high and may very well go higher in 2014. That has not changed and the January data reinforce the conclusion.

The average pork price for January was \$3.758/pound, 8.9% higher than one year ago and just 5.1 cents' per pound below its record level set in October. The composite broiler retail price in was \$1.938/pound in January, 0.1% lower than one year ago and 1.5% lower than in December. The January price is still less than 10 cents/pound below its record level, also set last October. The average retail price of turkey increased to \$1.713/pound in January, up 6.3 cents or 3.8% from December. The January turkey price was also 8.5% higher than on year ago and also within 10 cents/pound of the record high set back in March 2012.

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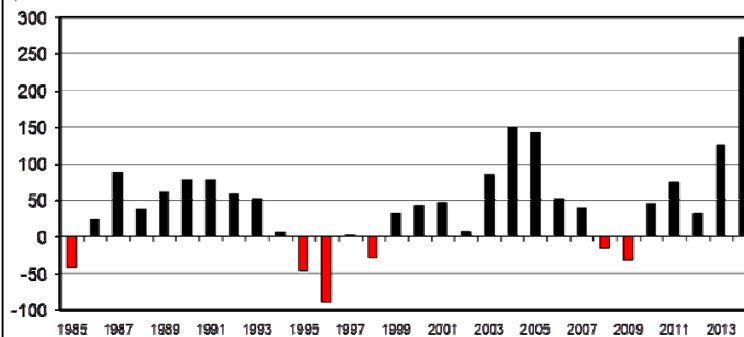
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ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



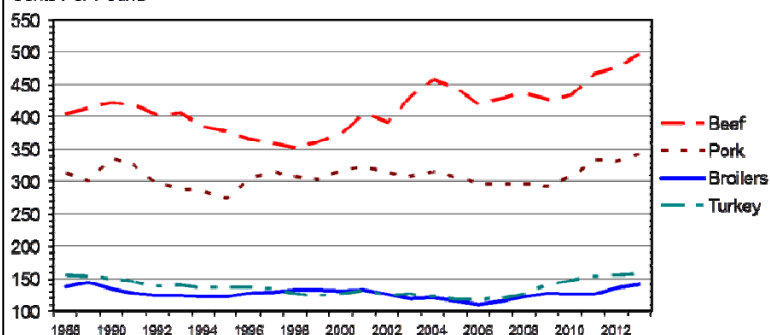
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS. Compiled & Analysis by LMIC

RETAIL MEAT AND POULTRY PRICES

Real (2009 \$, GDP Deflator), Annual

Cents Per Pound



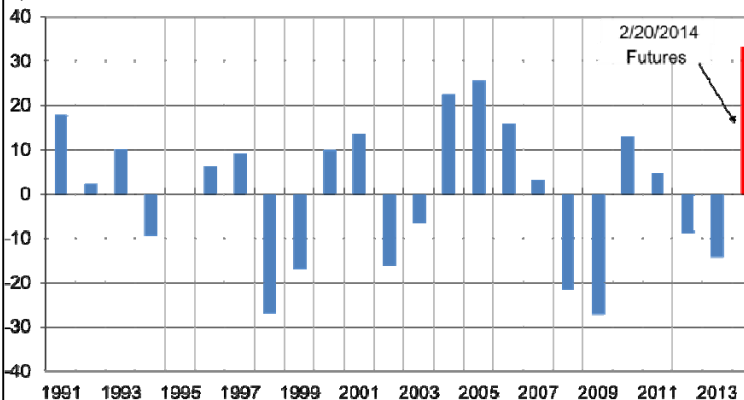
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Data Source: Bureau of Economic Analysis & USDA-ERS. Compiled & Analysis by LMIC

ANNUAL PROFIT PER HEAD

Iowa Farrow-to-Finish Operations

\$/Head



Source: Paragon Economics, Inc. using data from Estimated Costs and Returns, Department of Economics, Iowa State University