

With recent publication of March slaughter figures and the passing of the end of April — and thus completion of the daily slaughter estimates for the month — it is probably appropriate to give an update of actual slaughter relative to the levels that DLR author Dr. Steve Meyer had computed and discussed first in March. Recall that those figures suggested some very large slaughter reductions this summer and ones that, upon publication of USDA quarterly Hogs and Pigs report on March 28 appeared to be Draconian to say the least. The table at right shows the year-on-year change estimates that were computed from anecdotal evidence regarding number of sows infected (2.6 million) and pig losses per infected sow (2.7) as of the end of March with those losses distributed monthly across time based on weaned pig PEDv case accessions published by the National Animal Health Laboratory Network. It also shows monthly slaughter data from USDA and year-on-year change for April based on both weekly and daily slaughter data covering the entire month. Actual hog and barrow/gilt slaughter totals have been lower than was predicted by Dr. Meyer's calculations in every month except February. The difference was very large (well over 5%) in March and appears to be well over 1% for April. Recent pullbacks of prices for a variety of pork cuts and for the pork cutout value are being interpreted by some to indicate that summer supplies will not be as tight as once feared. That may be true but what was once feared was far too extreme and the actual data suggest, at least thus far, that Dr. Meyer's concerns about summer supplies are still valid. Due to the nature of the data available, that conclusion could clearly yet change but, at least for now, it is an accurate one and he still expects hog supplies to be quite tight this summer. Readers should note that Dr. Meyer has Q3 slaughter at -9.7% versus one year earlier. That figure is clearly smaller than the ones shown in the table for July through September and represents an intentional nod to USDA's statisticians and their time-proven methods. Their expertise and track record should not be dismissed even when their conclusions are at odds with other available information, especially when that other information is admittedly so anecdotal.

The beef and pork industries remain concerned about what could happen to demand for their products should chicken prices remain low — or even decline if chicken output rises. As we have argued on many occasions, it is these "relative" prices that impact the demand for a good, not that absolutely level of the good's own price. But will other factors offset any impact of relative prices?

That's clearly a tough question but macro data continue to suggest that economic conditions for U.S. consumers are improving. Friday's employment data from the Department of Commerce adds fuel to that fire as the unemployment rate fell to 6.3% in April (from 6.7% in February and March) and total employment grew by 288,000. That growth in employment is the largest monthly gain since January 2012 and the fifth largest monthly gain of this recovery. It is also accompanied by upward revisions of 25k and 11k for February and March employment which puts monthly gains above 200,000 for each of the past 3 months.

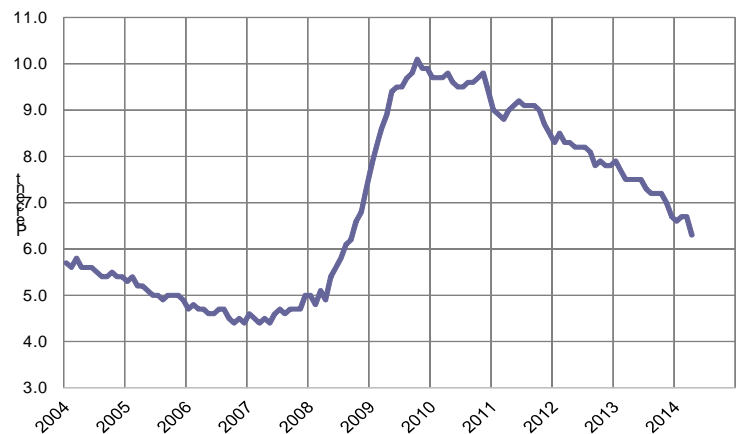
MEYER'S PEDv PIG LOSS ESTIMATES VS. ACTUAL SLAUGHTER

| Birth Month | Slaughter Month | Yr/Yr Change per Accession Data | Comm. Hog Slaughter* | | FI Barrow/Gilt Slaughter* | |
|-------------|-----------------|---------------------------------|----------------------|---------------|---------------------------|---------------|
| | | | Thou. Hd. | % Chng. Yr/Yr | Thou. Hd. | % Chng. Yr/Yr |
| June '13 | Dec '13 | 1.23% | 9730.1 | -2.14% | 9396.6 | -2.01% |
| Jul | Jan '14 | 1.06% | 9791.2 | -1.66% | 9459 | -1.39% |
| Aug | Feb | -1.83% | 8668.2 | 0.90% | 8366 | 1.10% |
| Sep | Mar | -1.10% | 8674.6 | -6.89% | 8356 | -6.92% |
| Oct | Apr | -3.74% | | | | |
| Nov | May | -4.66% | | | | |
| Dec | Jun | -7.47% | | | | |
| Jan '14 | Jul | -10.99% | | | | |
| Feb | Aug | -14.60% | | | | |
| Mar | Sep | -17.13% | | | | |

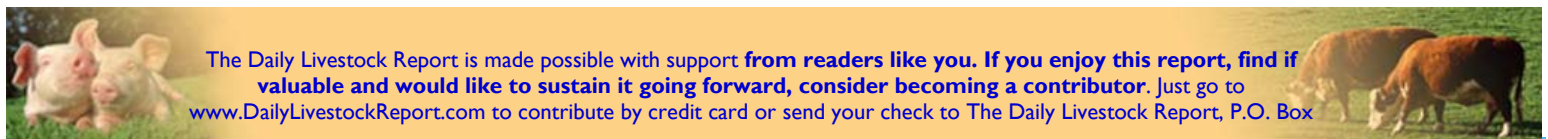
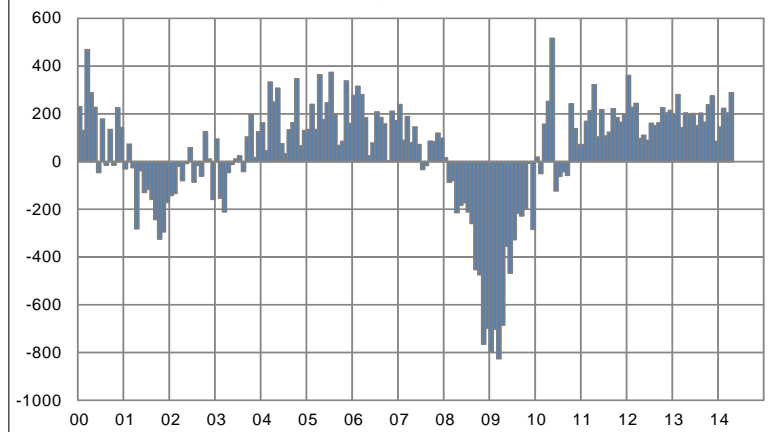
Weekly data, 5 wks thru 5/3 = -5.04%
Daily data for April = -5.25%

*Adjusted for difference in slaughter days. Only month that differed was Dec '13.

UNEMPLOYMENT RATE



TOTAL NON-FARM EMPLOYMENT CHANGE, MONTHLY



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PRODUCTION AND PRICE SUMMARY

Week Ending **5/3/14**

| | Item | Units | Current Week | Last Week | Pct. Change | Last Year | Pct. Change | YTD | Pct. Change |
|--------------|---------------------------------------|---------------------|---------------|---------------|--------------|---------------|--------------|---------------|---------------|
| | Total Meat & Poultry Prod. | Million lbs. | 1691.2 | 1620.0 | 4.39% | 1688.9 | 0.14% | 27,188 | -2.58% |
| C | FI Slaughter | Thou. Head | 608 | 585 | 3.93% | 622 | -2.30% | 9,447 | -6.35% |
| A | FI Cow Slaughter | Thou. Head | 102.7 | 106.0 | -3.04% | 125.4 | -18.07% | 1,786 | -9.50% |
| T | Avg. Live Weight | Lbs. | 1303 | 1310 | -0.53% | 1288 | 1.16% | 1,325 | 0.73% |
| T | Avg. Dressed Weight | Lbs. | 792 | 793 | -0.13% | 778 | 1.80% | 798 | 0.59% |
| L | Beef Production | Million Lbs. | 480.6 | 462.8 | 3.85% | 482.8 | -0.46% | 7,531 | -5.79% |
| E | Live Fed Steer | \$/cwt live wt. | 147.79 | 146.34 | 1.00% | 129.01 | 14.56% | | |
| | Dressed Steer | \$/cwt carcass | 236.38 | 235.08 | 0.55% | 206.55 | 14.44% | | |
| & | OKC Feeder Steer | 700-800 Lbs. | 182.93 | 184.39 | -0.79% | 134.50 | 36.01% | | |
| | Beef Cutout | 600-750 Choice | 231.87 | 231.91 | -0.02% | 198.59 | 16.76% | | |
| B | Hide/Offal | \$/cwt live wt. | 15.82 | 15.86 | -0.25% | 14.29 | 10.71% | | |
| E | Rib | Choice | 342.28 | 338.28 | 1.18% | 289.92 | 18.06% | | |
| E | Round | Choice | 192.43 | 195.89 | -1.77% | 161.78 | 18.95% | | |
| F | Chuck | Choice | 183.70 | 185.17 | -0.79% | 162.96 | 12.73% | | |
| | Trimmings, 50% | Fresh | 132.03 | 134.04 | -1.50% | 98.00 | 34.72% | | |
| | Trimmings, 90% | Fresh | 245.64 | 247.52 | -0.76% | 202.24 | 21.46% | | |
| H | FI Slaughter | Thou. Head | 2019 | 1999 | 1.00% | 2090 | -3.42% | 34,582 | -4.25% |
| O | FI Sow Slaughter | Thou. Head | 53 | 54.6 | -3.40% | 58.8 | -10.36% | 857 | -5.58% |
| G | Avg. Dressed Weight | Lbs. | 215 | 215 | 0.00% | 207 | 3.86% | 214 | 3.13% |
| S | Pork Production | Million Lbs. | 435.3 | 429.9 | 1.26% | 432.4 | 0.67% | 7,396 | -1.32% |
| & | Iowa-S. Minn. Direct | Avg. | 112.03 | 115.21 | -2.76% | 86.75 | 29.14% | | |
| | Natl. Base Carcass Price | Weighted Avg. | 109.43 | 110.90 | -1.33% | 84.98 | 28.77% | | |
| | Natl. Net Carcass Price | Weighted Avg. | 111.34 | 112.94 | -1.42% | 87.45 | 27.32% | | |
| P | Pork Cutout | 200 Lbs | 115.41 | 117.35 | -1.65% | 87.50 | 31.90% | | |
| O | Hams | Primal Cutout | 98.96 | 98.84 | 0.12% | 71.70 | 38.02% | | |
| R | Loins | Primal Cutout | 120.87 | 123.67 | -2.26% | 88.78 | 36.15% | | |
| K | Trimmings, 72% Lean | Fresh | 118.80 | 124.95 | -4.92% | 49.41 | 140.44% | | |
| | Bellies | Primal Cutout | 141.52 | 150.36 | -5.88% | 148.88 | -4.94% | | |
| C | Young Chicken Slaughter* | Million Head | 152.22 | 146.69 | 3.77% | 156.04 | -2.45% | 2,411 | -0.71% |
| H | Avg. Weight | Lbs., RTC | 4.42 | 4.37 | 1.02% | 4.26 | 3.67% | 4.3 | 0.42% |
| I | Broiler Production | Million Lbs., RTC | 672.5 | 641.5 | 4.84% | 664.9 | 1.14% | 10,679 | -0.51% |
| C | Eggs Set | Million | 203.0 | 204.7 | -0.86% | 200.2 | 1.37% | 3,425 | 0.93% |
| K | Chicks Placed | Million Head | 166.4 | 164.1 | 1.42% | 165.8 | 0.36% | 2,789 | -0.46% |
| E | National Composite Broiler | Composite | 110.3 | 110.99 | -0.60% | 107.02 | 3.10% | | |
| N | Georgia Dock Broiler | 2.5-3 Lbs. | 108.16 | 108 | 0.10% | 103.2 | 4.80% | | |
| | Northeast Breast | Skinlss/Bonelss | 177.01 | 176.38 | 0.40% | 178.53 | -0.90% | | |
| | Northeast Leg Quarters | | 48.53 | 48.85 | 3.10% | 53.52 | -3.60% | | |
| T | Young Turkey Slaughter* | Million Head | 4.22 | 3.65 | 15.68% | 4.37 | -3.48% | 60.4 | 60.93% |
| U | Avg. Weight | Lbs. | 24.37 | 23.54 | 3.53% | 24.88 | -2.06% | 25.1 | 0.34% |
| R | Turkey Production | Million Lbs. | 102.8 | 85.8 | 19.77% | 108.7 | -5.46% | 1,582 | -6.15% |
| K | Eastern Region Hen | 8-16 Lbs. | 106.45 | 105.11 | 1.30% | 96.46 | 10.40% | | |
| F | Corn, Omaha | \$ per Bushel | 0.00 | 4.91 | -100.00% | 7.17 | -100.00% | | |
| E | DDGS, Minnesota | \$ per ton | 0.00 | 225.00 | -100.00% | 222.50 | -100.00% | | |
| E | Wheat, Kansas City | \$ per Bushel | 8.18 | 7.76 | 5.41% | 7.60 | 7.63% | | |
| D | Soybeans, S. Iowa | \$ per Bushel | 15.04 | 14.96 | 0.53% | 14.86 | 1.20% | | |
| | SB Meal, 48% Central Illinois | \$ per Ton | 513.90 | 508.20 | 1.12% | 444.10 | 15.70% | | |

* Chicken & turkey slaughter, production and prices are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier

Source: USDA Agricultural Marketing Service, various reports

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