

See page 2 for this week's Production and Price Summary table which we could not provide in yesterday's edition.

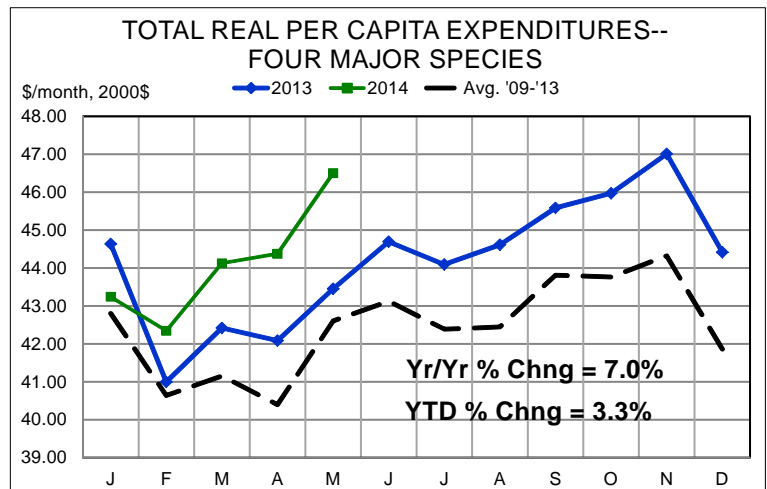
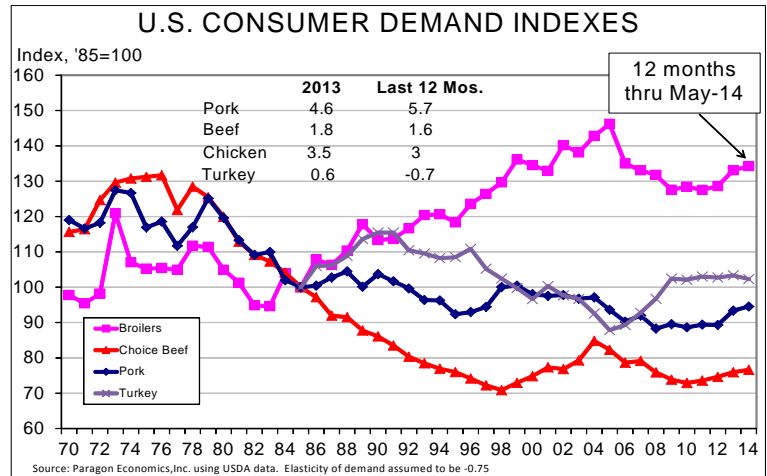
Monthly data released on Thursday and yesterday by USDA indicate continued growth for U.S. beef and pork (barely!) exports — but we will put that discussion on a one-day hold to address an important implication of these data.

As DLR readers are aware from past discussions, the monthly trade data are always the last piece of information needed to compute our various measures of meat and poultry demand from two months earlier. The reason, of course, is that exports and imports are part of the equation that determines product disappearance which is assumed to be consumption. Total consumption and an estimates of the U.S. population give us per capita consumption which, when combined with retail prices and an inflation rate, can be used to derive an idea of how demands for the various species and meat/poultry in total behaved during the month in question and over some period of recent history. AND THE STORY THE DATA ARE TELLING AT PRESENT IS PRETTY REMARKABLE!

As can be seen in the top chart at right, demand indexes for pork, beef and chicken are all higher over the past 12 months versus the same period one year earlier. Turkey's index is fractionally lower over that period. We use a 12-month trailing period for this comparison to make sure we are comparing across all seasonal influence for each species. This strong performance follows gains in calendar year 2013 for all species — the first time that has ever happened. Those increases and this year's continued strength suggest to us that the post-Adkins downtrend has indeed been stopped. The question is "How long can the new uptrend last?" Broad discussions regarding the place of meat and poultry in a healthy diet ("The Big Fat Surprise" book we mentioned last week, Time magazine's cover article three weeks ago entitled "Eat Butter") are casting our products in a new light — and one that is no doubt helping the demand picture. There will likely be some severe push-back from the scientists who are now being questioned and animal rights groups who have long pinned a good portion of their pro-animal, anti-people arguments on the idea that eating meat was unhealthy.


Looking at real per capita expenditures (RPCE) provides some monthly detail that supports our conclusions even more strongly. May's figure of \$46.50 for the four major species is the highest for May since 2005 — the first year past the previous peak which was driven primarily by the Atkins diet. It represents an increase of 7% versus May 2013 and 9.1% versus the average for May over the past 5 years. May's excellent performance puts the 2014 year-to-date figure at \$220.58, \$7.00 or 3.3% higher than one year ago and over \$13 and 6.3% higher than the average year-to-date level for May from 2009 through 2013.

The largest contributors to May's exceptional demand performance were pork at +13.4% yr/yr and beef at +9.1% yr/yr. The key com-




ponent of both gains was, of course, a large year-on-year increase in real (deflated) retail price with beef prices gaining 11.7% and pork gaining 13.4%. "Yes but that's because supplies are short," you might reply. But per capita beef disappearance/consumption/availability was down only 1.8% and the same figure for pork — thanks to BIG hogs — was actually UP 0.03% in May from year-earlier levels.

The poultry species did not fare as well in May. Chicken's RPCE, at \$10.33, was 1.7% lower than last year. YTD RPCE for chicken remains 2.3% higher than in 2013. Turkey RPCE was 6% lower than in May '13 bringing its YTD RPCE change to -5.2%. Turkey demand will get some seasonal help in late summer and fall and last year that seasonal surge pushed YTD changes to the positive after they lagged year-earlier figures all year.



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PRODUCTION AND PRICE SUMMARY

Week Ending 7/5/14

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	Total Meat & Poultry Prod.	Million lbs.	1540.7	1673.1	-7.91%	1616.2	-4.67%	43,794	-2.42%
C	FI Slaughter	Thou. Head	491	615	-20.16%	557	-11.80%	15,340	-6.49%
A	FI Cow Slaughter	Thou. Head	97.4	99.4	-2.01%	119.0	-18.16%	2,688	-12.50%
T	Avg. Live Weight	Lbs.	1317	1309	0.61%	1302	1.15%	1,319	0.69%
T	Avg. Dressed Weight	Lbs.	796	793	0.38%	796	0.00%	796	0.53%
L	Beef Production	Million Lbs.	390.2	487	-19.88%	442.5	-11.82%	12,189	-5.94%
E	Live Fed Steer	\$/cwt live wt.	157.61	154.32	2.10%	120.10	31.23%		
	Dressed Steer	\$/cwt carcass	249.44	244.15	2.17%	193.55	28.88%		
&	OKC Feeder Steer	700-800 Lbs.	217.01	210.93	2.88%	144.87	49.80%		
	Beef Cutout	600-750 Choice	247.80	244.39	1.40%	196.95	25.82%		
B	Hide/Offal	\$/cwt live wt.	15.56	15.48	0.52%	14.56	6.87%		
E	Rib	Choice	383.65	379.05	1.21%	315.85	21.47%		
E	Round	Choice	199.64	194.82	2.47%	159.48	25.18%		
F	Chuck	Choice	206.63	202.61	1.98%	158.91	30.03%		
	Trimming, 50%	Fresh	121.53	122.94	-1.15%	97.93	24.10%		
	Trimming, 90%	Fresh	272.92	262.10	4.13%	198.75	37.32%		
H	FI Slaughter	Thou. Head	1627	1910	-14.82%	1784	-8.78%	53,565	-4.37%
O	FI Sow Slaughter	Thou. Head	51.6	53.9	-4.19%	56.3	-8.28%	1,324	-6.09%
G	Avg. Dressed Weight	Lbs.	215	215	0.00%	203	5.91%	215	3.78%
S	Pork Production	Million Lbs.	349.6	411.5	-15.04%	362.2	-3.48%	11,493	-0.76%
	Iowa-S. Minn. Direct	Avg.	127.37	125.73	1.30%	100.35	26.93%		
&	Natl. Base Carcass Price	Weighted Avg.	120.35	117.77	2.19%	99.75	20.65%		
	Natl. Net Carcass Price	Weighted Avg.	122.56	120.02	2.12%	102.30	19.80%		
P	Pork Cutout	200 Lbs	132.88	131.95	0.70%	106.85	24.36%		
O	Hams	Primal Cutout	128.20	126.06	1.70%	86.03	49.02%		
R	Loins	Primal Cutout	132.10	132.43	-0.25%	113.19	16.71%		
K	Trimming, 72% Lean	Fresh	130.48	137.26	-4.94%	95.76	36.26%		
	Bellies	Primal Cutout	174.33	172.37	1.14%	166.04	4.99%		
C	Young Chicken Slaughter*	Million Head	163.08	156.54	4.18%	161.50	0.98%	3,957	-0.58%
H	Avg. Weight	Lbs., RTC	4.24	4.28	-1.04%	4.32	-1.90%	4.3	0.05%
I	Broiler Production	Million Lbs., RTC	691.3	670.6	3.09%	697.8	-0.94%	17,482	-0.54%
C	Eggs Set	Million	203.6	204.4	-0.40%	201.8	0.89%	5,267	0.85%
K	Chicks Placed	Million Head	168.5	169.8	-0.79%	169.1	-0.36%	4,297	-0.30%
E	National Composite Broiler	Composite	112.1	112.35	-0.20%	103.68	8.10%		
N	Georgia Dock Broiler	2.5-3 Lbs.	111.97	111.67	0.30%	105.55	6.10%		
	Northeast Breast	Skinlss/Bonelss	202.02	201.59	0.20%	180.75	11.80%		
	Northeast Leg Quarters		50.75	50.06	2.30%	50.73	-2.00%		
T	Young Turkey Slaughter*	Million Head	4.62	4.33	6.70%	4.70	-1.83%	106.1	-4.79%
U	Avg. Weight	Lbs.	23.74	24.05	-1.26%	24.16	-1.72%	24.8	0.08%
R	Turkey Production	Million Lbs.	109.6	104.1	5.35%	113.6	-3.52%	2,630	-4.81%
K	Eastern Region Hen	8-16 Lbs.	109.47	104.38	4.90%	99.86	9.60%		
F	Corn, Omaha	\$ per Bushel	4.05	4.37	-7.33%	6.74	-39.94%		
E	DDGS, Minnesota	\$ per ton	115.00	130.00	-11.54%	220.00	-47.73%		
E	Wheat, Kansas City	\$ per Bushel	6.93	7.27	-4.68%	6.93	0.00%		
D	Soybeans, S. Iowa	\$ per Bushel	14.00	14.74	-5.02%	14.86	-5.80%		
	SB Meal, 48% Central Illinois	\$ per Ton	481.50	498.50	-3.41%	532.10	-9.50%		

* 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