

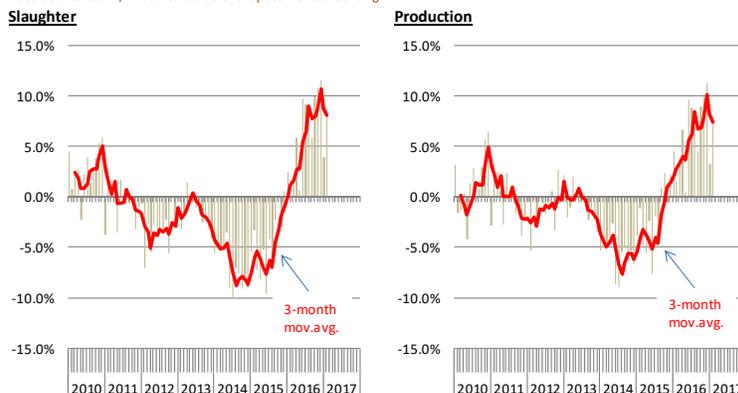
**December production data was released yesterday and it contains some interesting insights both in terms of volume of meat protein available during the month as well as the structure of slaughter. Below are some of the highlights:**

**Beef:** **Total cattle slaughter for December was 2.580 million head, 1.2% less than a year ago.** However, there was on less marketing day in the month, which skewed the numbers. The attached data shows production and slaughter on a “slaughter day” basis. This adjusted number shows that December slaughter was 3.7% higher than a year ago. In the last quarter of the year cattle slaughter was averaged 2.8% above last year. **For all of 2017 US cattle slaughter was 32.175 million head, 1.6 million head (+5.2%) higher than in 2016.** The increase in daily slaughter for the month of December was due to more heifers coming to market. Indeed, the increase in heifer slaughter was a constant theme for all of 2017 and a key reason for the overall increase in slaughter. Steer slaughter, on a daily basis, in December was 0.7% lower than the previous year and it was down 2% for the entire Q4. On the other hand, heifer slaughter in December averaged 36,795 head per slaughter day, 11.6% higher than in December 2016. For the entire Q4 of 2017 heifer slaughter averaged 37,088 head per day, 11.6% more than the previous year. Looking at the mix of slaughter for all of 2017 is also quite interesting. Total steer slaughter last year was 16.770 million head, 276,000 head (+1.7%) higher than the previous year. Heifer slaughter for all of 2017 was 8.611 million head, 912,700 head (+11.9%) higher than the previous year. Cow slaughter, both beef and dairy, was 5.772 million head, last year, registering an increase of 344,400 head (+6.3%) from the previous year. In short, **female cattle slaughter accounted for about 80% of the overall increase in cattle slaughter in 2017.** Has the industry entered a liquidation phase? Not really, it’s just that the rate of growth in 2015 and 2016 was so strong that compared to those two years 2017 female slaughter was much higher. We still think the cow herd on January 1, 2018 will be bigger than the previous year but it will be a modest increase. The ratio of female slaughter to total slaughter is now approaching the long run trends but the higher cow herd on January 1 likely will set the stage for another increase in the calf crop in 2018.

**Hogs:** Total hog slaughter in December was 10.461 million head, 0.1% less than the previous year. When adjusted for the number of slaughter days, **daily slaughter last month was 4.9% higher than the previous year.** Q4 daily slaughter last year averaged 1.6% above the previous year, a lower number than was expected based on the ‘Hogs

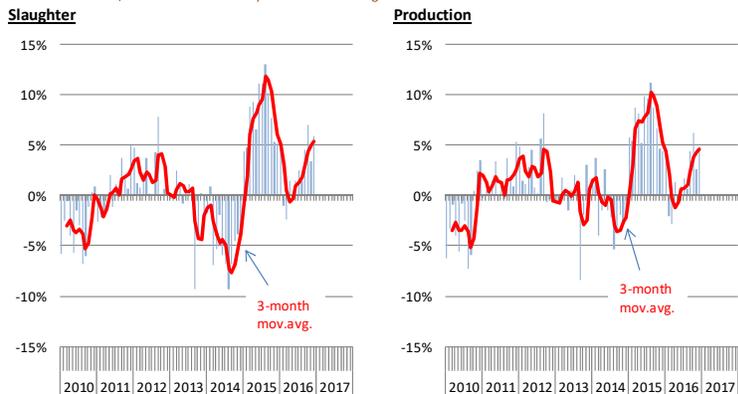
## Cattle Slaughter & Beef Production Per Slaughter Day: Y/Y % Change

Data Source USDA/NASS. Calculations by Steiner Consulting



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

Data Source USDA/NASS. Calculations by Steiner Consulting



and Pigs’ summer and fall surveys. Hogs that came to market in December were notably heavier than the previous year, which bolstered the amount of pork available in the market. Daily average pork production was up 6.2% vs. a year ago and for the quarter daily pork production increased 2.3%. Total US pork production in 2017 was 25.581 million pounds (cwe), 640 million pounds (+2.6%) higher than the previous year. In January 2017 USDA was forecasting US pork production for year 2017 to be 26.221 billion pounds, which represented a 5.1% increase from 2016 levels. In January 2018 USDA is projecting pork production for the year to increase by 1.4 billion pounds (+5.4%).



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