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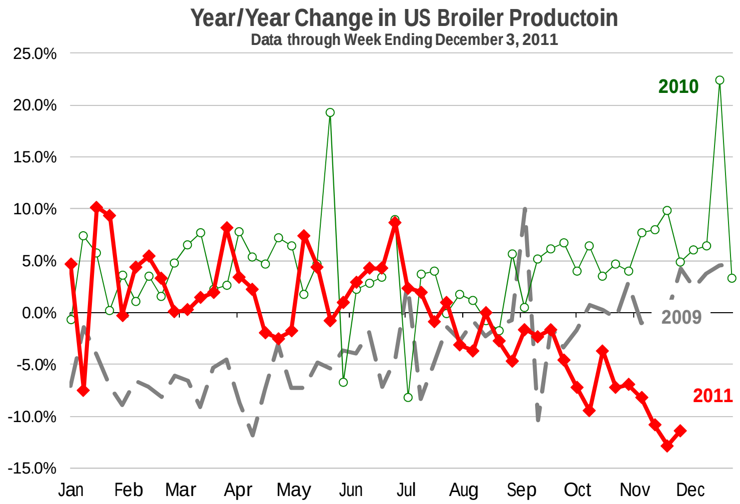
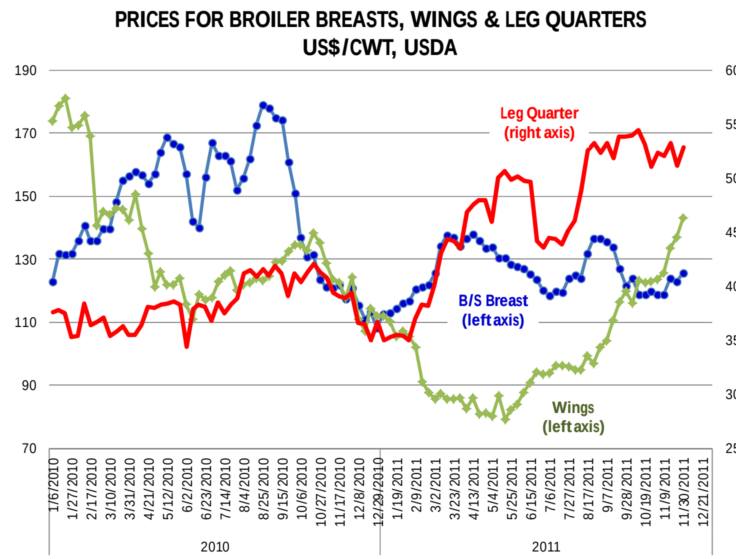
Market Comments

The supply picture for meat protein remains mixed, with **more pork coming to market compared to a year ago but smaller beef and chicken supplies**. Combined beef, pork and poultry output (carcass wt. basis) for the week ending December 3 was 1.553 billion pounds, 83 million pounds or 5.1% lower than the same week a year ago. The primary reason for the smaller supplies is the reduction in broiler production. As we have noted for sometime, broiler producers have been cutting back, both in terms of the number of birds coming to market and bird weights. The broiler slaughter data is reported with a one week lag (see table on page 2) and for the latest reported week total slaughter was down almost 13%. Early estimates for the week ending December 3 shows total slaughter could be down as much as 10% from last year. These kind of cutbacks are not a two week anomaly, since October weekly broiler slaughter has averaged 8.3% below year ago levels. Broiler egg sets and chick placements also continue to run below year ago levels, implying lower slaughter for at least the next three months. In addition to the lower slaughter weights, producers also appear to have contained the ever steady gains in broiler weights. Current weights are running at about the same level as a year ago, compared to 2-3% growth in weights through the summer months. The cutbacks in bird weights are significant as they allow producers to reap the full impact of the smaller slaughter numbers. There are signs that prices have finally started to respond to the reductions in supply. Breast meat prices have been very weak for much of this year but they have showed some counter-seasonal improvement in recent weeks. We continue to think that broiler breast prices have been negatively impacted by the slowdown in foodservice business and will be hampered by the ongoing weakness in demand. As we noted in the DLR this week, foodservice operators may be indicating better same store sales but a larger portion of them are also saying that foot traffic is lower than a year ago. Everyone tends to look at same store sales but if you are a poultry producers looking to move volume, foot traffic matters a lot. Other broiler items have benefited more by the reductions in slaughter. Broiler wings, a favorite staple during football season, are up 15% compared to a year ago and now priced some 20 cents over the price of breast meat. Leg quarter, a ubiquitous export item, are 34% higher than last year. With corn prices down almost $2 per bushel since late August and higher prices, broiler producer margins are improving. The question is, how quickly does greed replace fear. The answer will have an impact on where beef and pork prices go in 2012.





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PRODUCTION & PRICE SUMMARY

Week Ending 12/3/2011

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change	Last 52 Weeks	Pct. Change
			3-Dec-11	26-Nov-11		4-Dec-10					
	Total Red Meat & Poultry	**mil lbs., cwe**	**1,553**	**1,607**	-3.39%	**1,636**	-5.08%	**81,432**	0.1%	**88,847**	0.8%
	FI Slaughter	Thou. Head	666	565	17.88%	681	-2.22%	31,125	-0.4%	33,570	0.4%
C	FI Cow Slaughter **	Thou. Head	150	149	0.79%	144	4.32%	5,915	4.3%	6,667	5.0%
A	Avg. Live Weight	Lbs.	1291	1292	-0.08%	1303	-0.92%	1,278	-0.2%	1,280	-0.1%
T	Avg. Dressed Weight	Lbs.	773	776	-0.39%	781	-1.02%	772	0.1%	773	0.1%
T	Beef Production	Million Lbs.	513.2	437.0	17.44%	529.7	-3.11%	23,962	-0.3%	25,873	0.5%
L	Live Fed Steer Price	$ per cwt	127.90	124.89	2.41%	102.61	24.65%				
E	Dressed Fed Steer Price	$ per cwt	203.32	199.98	1.67%	164.30	23.75%				
	OKC Feeder Steer, 600-700	$ per cwt	N/A	N/A	N/A	120.86	N/A				
&	Choice Beef Cutout	$ per cwt	193.92	196.64	-1.38%	163.01	18.96%				
	Hide/Offal	$ per cwt, live wt	12.49	12.46	0.24%	12.00	4.08%				
B	Rib, Choice	$ per cwt	330.70	332.46	-0.53%	280.92	17.72%				
E	Round, Choice	$ per cwt	162.19	167.07	-2.92%	137.79	17.71%				
E	Chuck, Choice	$ per cwt	155.77	159.35	-2.25%	131.22	18.71%				
F	Trimmings, 50%	$ per cwt	112.20	119.22	-5.89%	72.37	55.04%				
	Trimmings, 90%	$ per cwt	184.59	183.26	0.73%	151.22	22.07%				
	FI Slaughter	Thou. Head	2,361	2,067	14.22%	2,325	1.53%	101,161	0.2%	109,523	0.6%
	FI Sow Slaughter **	Thou. Head	66.4	63.7	4.27%	62.6	6.02%	2,683	1.4%	3,003	0.9%
H	Avg. Dressed Weight	Lbs.	208.0	207.0	0.48%	208.0	0.00%	205	0.9%	206	1.0%
O	Pork Production	Million Lbs.	490.7	428.4	14.54%	484.3	1.32%	20,767	1.1%	22,500	1.7%
G	Iowa-S. Minn. Direct	Wtd. Avg.	84.56	81.59	3.64%	66.42	27.31%				
S	Natl. Base Carcass Price	Wtd. Avg.	82.94	81.51	1.75%	66.89	23.99%				
	Natl. Net Carcass Price	Wtd. Avg.	85.15	83.70	1.73%	68.95	23.50%				
	Pork Cutout	185 Lbs.	89.38	89.53	-0.17%	77.51	15.31%				
	Hams	$ per cwt	78.56	79.73	-1.47%	74.14	5.96%				
	Loins	$ per cwt	95.66	96.82	-1.20%	83.34	14.78%				
	Bellies	$ per cwt	108.37	108.41	-0.04%	90.47	19.79%				
C	Young Chicken Slaughter *	Million Head	112.7	147.3	-23.48%	129.2	-12.81%	7,374	-2.6%	8,135	-2.0%
H	Avg. Weight	Lbs.	5.76	5.67	1.59%	5.76	0.00%	5.73	2.3%	5.73	2.4%
I	Chicken Production	Million Lbs.	649.0	835.0	-22.27%	744.4	-12.81%	42,271	-0.4%	46,645	0.4%
C	Eggs Set	Million	194.4	193.2	0.60%	207.2	-6.19%	9,351	-3.3%	10,374	-3.0%
K	Chicks Placed	Million Head	156.3	152.8	2.27%	165.0	-5.28%	7,764	-2.5%	8,609	-2.2%
E	12-City Broiler Price	Composite	81.01	79.77	1.55%	80.24	0.96%				
N	Georgia Dock Broiler Price	2.5-3 Lbs.	88.45	88.77	-0.36%	84.93	4.14%				
	Northeast Breast, B/S	$/cwt	123.78	122.48	1.06%	121.86	1.58%				
	Northeast Legs	$/cwt	65.72	66.04	-0.48%	52.71	24.68%				
T	Young Turkey Slaughter *	Million Head	2.559	4.997	-48.79%	2.574	-0.58%	210.723	-0.2%	231.549	0.0%
U	Avg. Live Weight	Lbs.	30.30	28.89	4.88%	30.82	-1.69%	29.66	1.4%	29.69	1.5%
R	Turkey Production, Live Wt.	Million Lbs.	77.5	144.4	-46.29%	79.3	-2.26%	6,250	1.2%	6,863	1.6%
K	Eastern Region Hen Price	8-16 Lbs.	112.25	112.50	-0.22%	95.12	18.01%				
G	Corn, Omaha	$ per Bushel	6.10	5.96	2.35%	5.32	14.66%				
R	DDGs, Minnesota	$ per Ton	202.50	215.00	-5.81%	145.00	39.66%				
A	Wheat, Kansas City	$ per Bushel	6.55	6.22	5.31%	7.35	-10.88%				
I	Soybeans, S. Iowa	$ per Bushel	11.36	11.30	0.53%	12.80	-11.25%				
N	Soybn Meal, 48% Decatur	$ per Ton	278.70	273.50	1.90%	346.70	-19.61%				

* 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.