



**Thursday, March 19, 2015**

### **THE TRADE TALK**

Reports from members of the big packer trade claim the majority of tanners do not appear anxious to make any major buying decision, as most appear as if they prefer to ensure they see the offers of everyone who will be visiting their facilities. In the meantime, we have heard tanners willing to share ideas are bidding a couple of dollars under the last reported trading levels of packers.

As of this writing, we have heard rumblings of perhaps a couple of packers / traders contemplating taking lower prices; however, we do not have any confirmation of this taking place and overall call prices steady, due to a general lack of trading as the consensus of the trade is that interest / sales this week is certainly slower than last week.

Meanwhile, packers continue to struggle with their margins and reports today claim that cattle owners are pushing for yet another increase in live prices and considering most packers entered the week short-bought on cattle, it is very likely we will see a rise in live prices before the end of the week. If this should come to fruition, (likely) we tend to suspect we could see packers temper their enthusiasm to harvest cattle further.

Reports from members of the trade overseas claim that this should be the busy time for most tanners; however, considering the number of drums that are not turning at various tanneries across Asia, we have heard comments that it reminds them of business in June / July. In the meantime, tanners in general do not appear too interested in published offer lists of various producers, as they appear more interested in seeing if any of their visitors will come armed with “special” gifts.

Elsewhere, the strong USD is aiding tanners in considering hides outside of the US and some tanners have confirmed that they have taken advantage of this, especially considering the firm tone of the market. In the meantime, tanners insist that the split market is really under pressure and according to some veteran members of the trade is yet another arguing point for those members of the trade who are looking for prices to correct as we move forward.

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In regards to sales, although interest / activity has been rather lackluster, we have been able to muster a modest number of trades today, led by sales of Jumbo BS checking in at \$102, while sales of Super-Jumbos were registered at \$104. Other trading is calling CBS at \$94.50, while sales on HNDC reflect levels of \$79.50. The only other trading are multiple reports on HTS with regular weights sold at \$96, while Jumbos exchanged hands at \$102 and sales of Super-Jumbos reflect a range of \$104-\$106.

**PACKER TRADES**

<b>Selection</b>	<b>Weight</b>	<b>Per Piece</b>
BS	72 MIN	\$102.00
BS	80/82	\$104.00
CBS	62/64	\$94.50
HNDC	50/52	\$79.50
HTS	62/64	\$96.00
HTS	70 MIN	\$102.00
HTS	80 MIN	\$106.00
HTS	80/82	\$104.00

Reports from members of the cowhide trade are similar in nature as those from the big packer trade. Overall, sellers continue to convey a firm tone to the market, while buyers interested in buying, continuing to submit ideas \$2-\$3 under the last reported trading levels of sellers. For now, most tanners appear as if they have no interest in improving their bids, telling suppliers they are content to wait to see the offers of others who are traveling Asia.

There are a couple of things working in the favor of producers as the number of cows in the harvest mix continues to run below levels of a year ago. In addition, Brazil has been forced to reduce their harvest as nearly half of the beef produced in Brazil is shipped to Russia and beef sales have declined substantially over the course of the past 2-3 months, thus reducing the availability of Brazilian wet-blue hides.

In regards to sales, we were able to muster a few isolated reports of trading, as we have HNDC reflecting levels of \$81, while sales of HBC reflect \$66 (N) and \$64 (S), while sales of HTS check in at \$93.

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**PROCESSOR TRADES**

Selection	Weight	Per Piece
HNDC	50 MIN	\$81.00
HBC (N)	52 MIN	\$66.00
HBC (S)	48/50	\$64.00
HTS	62/64	\$93.00

**U.S. EXPORT SALES FOR WEEK ENDING 3/12/2015**

**Wet-Salted Hides & Skins:** Net sales of 346,500 pieces reported for 2015 were down 21 percent from the previous week and 7 percent from the prior 4-week average. Whole cattle hide sales of 340,000 pieces were primarily for China (195,000 pieces), South Korea (117,200 pieces), Taiwan (16,300 pieces), and Mexico (8,200 pieces). Decreases were reported for Japan (200 pieces). Exports of 459,200 pieces were up 18 percent from the previous week and 42 percent from the prior 4-week average. Whole cattle hide exports totaling 456,500 pieces--a marketing-year high--were primarily to China (318,100 pieces), South Korea (89,000 pieces), Thailand (12,700 pieces), Taiwan (12,400 pieces), and Mexico (11,500 pieces).

**Wet-Blue Hides & Skins:** Net sales of 68,100 wet blues for 2015 were reported for Vietnam (31,000 grain splits and 100 unsplit), China (12,700 unsplit and 5,700 grain splits), the Dominican Republic (9,600 unsplit), and Italy (7,900 unsplit). Decreases were reported for India (400 grain splits) and South Korea (300 unsplit). Exports of 132,600 wet blues were primarily to Vietnam (19,100 grain splits and 18,800 unsplit), China (25,000 unsplit and 5,700 grain splits), Italy (25,000 unsplit and 1,800 grain splits), and Mexico (8,800 grain splits and 2,100 unsplit). Net sales of splits totaling 658,200 pounds for 2015 were reported for Italy (205,000 pounds), Hong Kong (150,000 pounds), South Korea (128,900 pounds), Taiwan (79,700 pounds), China (62,100 pounds), and Vietnam (32,500 pounds). Exports of 564,200 pounds were reported to Italy (205,000 pounds), Vietnam (185,600 pounds), South Korea (87,500 pounds), and China (86,000 pounds).

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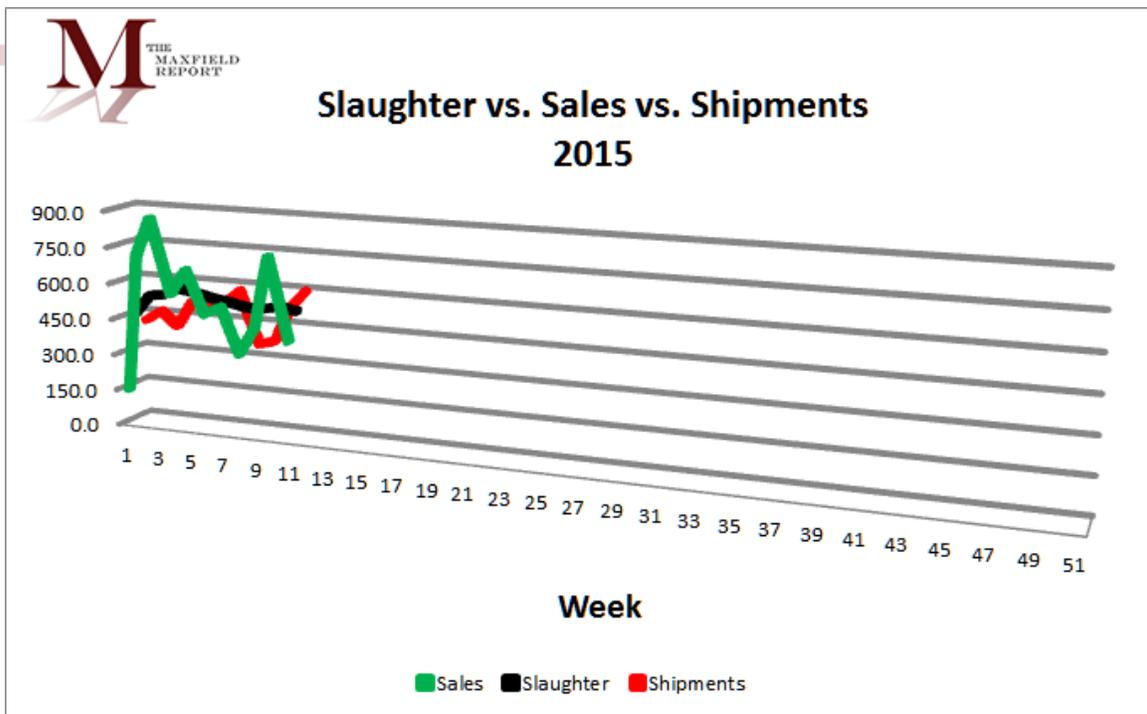
WEEKLY NET SALES ACTIVITY COUNTRY	WHOLE				WET BLUES		
	CATTLE HIDES 1601	CALF SKINS 1602	KIP SKINS 1603	CROUPONS 1604	UNSPLIT 1606	GRAIN SPLIT 1607	DROP SPLITS 1608
	THOUSAND UNITS						
ITALY					7.9		205.0
JAPAN	--0.2						
TAIWAN	16.3				--0.1		79.7
CHINA	195.0	3.8	2.7		12.7	5.7	62.1
INDIA						--0.4	
HG KONG							150.0
KOR REP	117.2				--0.3		128.9
THAILND	0.1						
VIETNAM	2.7				0.1	31.0	32.5
CANADA	0.8						
DOM REP					9.6		
MEXICO	8.2				0.1	1.7	
NET SALES	340.0	3.8	2.7	0.0	30.0	38.1	658.2
WEEKLY EXPORTS	456.5	0.0	2.7	0.0	91.1	41.5	564.2
ACCUM. EXPORTS	3,324.5	1.9	47.5	0.0	1,034.5	367.8	3,647.8
OUTSTANDING SALES	3,256.7	11.5	41.5	0.0	584.8	310.1	10,227.2

Today's USDA Export Report does not offer any real surprises in terms of sales as wet-salted sales of 346,500 hides is fifty thousand hides lower than the average for the quarter. Meanwhile, sales of wet-blue hides at 68,100 hides is eighty thousand hides lower than average for the quarter, while combined sales of 414,600 hides is one-hundred thirty thousand hides under the average for the quarter and is the seventh time in eleven weeks we have seen sales fall short of the slaughter.

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Meanwhile, shipments of wet-salted hides of 459,200 hides are a marketing year high and are one-hundred twenty thousand hides higher than the average for the quarter. Shipments of wet-blue hides at 132,600 hides are almost identical to the average for the quarter. Combined shipments at 591,800 hides is a marketing year high, and one-hundred twenty thousand higher than the average for the quarter.



## THE LOOK AHEAD

We are moving towards the end of another week of trading and from our vantage point; it is starting to appear as if the hairline fractures in the armor of some sellers are exhibiting signs of worsening. As of this writing, we cannot confirm any of the sellers have confirmed to lower prices; however we tend to suspect a few are starting to question if they believe the market is as firm as they are attempting to convey to their respective customers.

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In the meantime, a situation worth keeping an eye on is the split market, as we are hearing from reliable sources that there are a number of unsold splits starting to “pile-up” in China and if these rumors are correct, we suspect this could affect the ability of some tanners to open L/C’s in a timely fashion moving forward.

Another issue is that all of the problems surrounding the US west coast are still very real for many people. We have heard from a number of sources that they continue to struggle to generate more business with many Asian tanners, as they are reluctant to put any more business on the books with sellers until they see ocean BOL’s on outstanding shipments.

That said, there are still a lot of unanswered questions as to leather business for the 2Q, especially Chinese domestic business. We have heard from a number of pundits that they are not optimistic and are of the opinion that we will see a continuation where orders fall short of levels of a year ago and until leather prices return to levels deemed affordable, it is likely we will see this trend continue. The hope is that perhaps leather prices will align in time for the fall season; however, if this is how things are to play out, we are in store for some tough navigating the next few months.

### **THE HARVEST**

Thursday’s estimated bovine harvest checks in at 103,000 head and this compares to 103,000 head last week and 112,000 head last year. For the week, we have seen 430,000 head harvested and this compares to 425,000 head last week and 464,000 head last year. As to this week’s harvest total, we remain of the opinion we are on track for 530,000 head.

Packer interest in purchasing cattle increased yesterday morning, but just when trades were close to consummation at steady to firm prices, futures move limit up. This encouraged cattle owners to back off trades and re-priced cattle at higher prices. Meanwhile, margins at the packinghouse are deep into the red and higher cattle prices will only make these worse and likely to keep harvest levels in check. Elsewhere, box prices leveled out towards the end of the week as the choice cutout is quoted at \$247, while the select cutout checks in at \$245, as cattle coming to harvest are grading unseasonably well with cattle grading either prime or choice compromising 76% of the total cattle harvested – an all-time record.

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All of the feeding companies received solicitations from pasture owners and pasture contractors, as beneficial rains have set the stage for lots of forage this spring and summer and tight supplies of available calves are threatening stocking many available pastures. The pressure is now on the gain prices and early asking prices of 50-65 cents on the gain have been replaced with 40-50 cent asking prices.

In the meantime, the replacement market is dividing into two markets -- one for all weighted animals under 750# that might fit into a grazing program on spring wheat or summer grass and cattle over 750# headed to the feed yard. As of this writing, lighter cattle appear as if they are unaffected by a lower futures market, while the heavier cattle are sensitive to changes in feeder futures prices.

Corn prices rallied with most other commodities, while planting time is starting in the southern plains and will be on the front burner in the north soon. Estimates are calling for corn plantings to be smaller this spring than last year. Reports call the corn basis in Guymon, Oklahoma at +\$0.60 over the May contract, while corn is now pricing into rations at \$8.00 cwt. in the Oklahoma Panhandle.

**Thursday's U.S. Estimated Harvest**

03/19/2015	Bovine	Swine	Ovine
<b>Today's Harvest</b>	103,000	434,000	9,000
<b>Harvest Last Week</b>	103,000	433,000	8,000
<b>Harvest Last Year</b>	112,000	413,000	9,000

**Week-to-Date U.S. Estimated Harvest Totals**

03/19/2015	Bovine	Swine	Ovine
<b>WTD Harvest</b>	430,000	1,722,000	34,000
<b>Harvest Last Week</b>	425,000	1,726,000	31,000
<b>Harvest Last Year</b>	464,000	1,630,000	34,000
<b>YTD Harvest 2015</b>	5,572,000	23,165,000	379,000
<b>YTD Harvest 2014</b>	5,966,000	22,483,000	402,000

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### **Record Pork Production for February**

February 2014 contained 20 weekdays (including 1 holiday) and 4 Saturdays. February 2015 contained 20 weekdays (including 1 holiday) and 4 Saturdays. Commercial red meat production for the United States totaled 3.77 billion pounds in February, up 3 percent from the 3.65 billion pounds produced in February 2014.

- Beef production, at 1.79 billion pounds, was slightly above the previous year. Cattle slaughter totaled 2.17 million head, down 3 percent from February 2014. The average live weight was up 25 pounds from the previous year, at 1,355 pounds.
- Veal production totaled 6.4 million pounds, 21 percent below February a year ago. Calf slaughter totaled 36,700 head, down 30 percent from February 2014. The average live weight was up 26 pounds from last year, at 293 pounds.
- Pork production totaled 1.96 billion pounds, up 6 percent from the previous year. Hog slaughter totaled 9.08 million head, up 5 percent from February 2014. The average live weight was up 2 pounds from the previous year, at 285 pounds.
- Lamb and mutton production, at 12.3 million pounds, was up 6 percent from February 2014. Sheep slaughter totaled 164,700 head, 2 percent below last year. The average live weight was 141 pounds, up 3 pounds from February a year ago.

January to February 2015 commercial red meat production was 7.9 billion pounds, down slightly from 2014. Accumulated beef production was down 4 percent from last year, veal was down 24 percent, pork was up 4 percent from last year, and lamb and mutton production was up 3 percent.

### **THE NEWS**

(*WSJ.com*) - Shoe Carnival Inc.'s profit surged in the fourth quarter as the footwear retailer reported sales that topped projections.

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This year, Shoe Carnival expects to make \$1.40 to \$1.48 a share on sales of \$977 million to \$991 million, compared with the consensus of \$1.45 a share on sales of \$995.7 million, according to analysts surveyed by Thomson Reuters. Sales at established stores are expected to increase 1.5% to 3%.

Shares jumped 11% to \$26.90 in recent after-hours trading, topping the 52-week-high of \$26.84 set during regular trading on Dec. 31. Founded in 1978 and based in Evansville, Ind., Shoe Carnival focuses on low-cost shoes with a twist, creating a carnival atmosphere that features a roulette dishing out free offers and discounts and an employee on a stage running the show and hawking specials with a microphone.

Overall, for the 13 weeks ended Jan. 31, Shoe Carnival reported a profit of \$3 million, or 15 cents a share, up from \$598,000, or three cents a share, a year earlier. The results include an expense of about three cents a share related to West Coast port congestion, following a month-long standoff between port employers and port workers.

Net sales rose nearly 14% to \$227.6 million. Shoe Carnival had projected a profit of four cents to six cents a share on sales of \$218 million to \$222 million. Sales at established stores rose 9.5%, compared with the company's projection of 3% to 5%. Gross margin improved to 28.6%, from 28.5% a year earlier.

*(Reuters.com)* - China's Yue Yuen Industrial Holdings Ltd, the world's largest sports shoe maker, said on Wednesday thousands of workers at a factory in the south of the country have gone on strike following changes to production processes. About 4,000-5,000 staff at Yue Yuen, which supplies footwear for Nike Inc and Adidas AG, were protesting at facilities that produce shoes for international brands, said Jerry Shum, the firm's Hong Kong-based investor relations director. He did not identify the brands supplied by the plant.

The company was in control of the situation and expected it to be resolved in a few days, Shum said. He said the strike, by workers representing about 2-3 percent of Yue Yuen's staff in China, had no impact on Yue Yuen's production schedule so far. "Due to changes in the economic environment, we need to reorganize some of the production," Shum said. "As a consequence, workers are not very happy to see the change in the production...and that led to some disagreement."

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New York-based China Labor Watch said the workers were demanding an immediate payout of their housing fund following a move to merge two plants. Shum declined to confirm if that was the case. A Nike official in Hong Kong said she was not aware of the strike. Adidas did not immediately respond to a request for comment.

Last year, tens of thousands of workers at Yue Yuen, which has a market value of \$6.5 billion, called off a strike after the footwear maker pledged to meet some of their demands for better benefits. Major manufacturers have been shifting some of their production away from China to other Asian countries, such as Vietnam and Indonesia, as labor and production costs in the country escalate.

Yue Yuen said the economic environment was driving the reorganization of its production process and it was trying to offer more options to cost-sensitive customers. "If people are concerned about cost, then they are going to consider other countries as well. It is driven by the economic environment that leads to some changes occurring within China," Shum said, without elaborating.

*Ken Maxfield, President and Editor in Chief of The Maxfield Report brings nearly 25 years of experience trading and reporting on bovine hides to the reports offered. It is Ken's experience, breadth of knowledge and holistic approach to his reports, that peers consider him the world's leading market analyst reporting on cattle hides. If you have questions, suggestions, or comments, or interested in receiving any of the reports offered by The Maxfield Report, please call 712-943-3210 or e-mail [ken@themaxfieldreport.com](mailto:ken@themaxfieldreport.com).*

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