

The USDA updated their World Agriculture Supply and Demand Estimates (WASDE) yesterday, a monthly proceeding that integrates new developments and data into the existing outlook for agriculture commodity markets. Prospects for the cattle and beef markets are a little brighter, reflecting the improvement in beef demand that surfaced during December. Changes in the hog and pork market were centered on the December 1 hog population estimates that came in above expectations. Pork production in 2017 is expected to be up 5% from 2016, about 1% more than had been expected a month ago in the prior WASDE forecast release. USDA views on poultry, egg and dairy output for 2017 showed small, insignificant changes.

The forecast of beef production in the last quarter of 2016 was adjusted upward 85 million pounds and then reduced by 95 million pounds in the first quarter of 2017. Cattle marketing rates from feedlots remained accelerated through November and December. Weather in key cattle feeding regions was favorable for cattle weight gains, leading to an efficient marketing pace at heavy weights, especially for steers. Aggressive feedlot marketings during the last quarter of 2016 should come at the expense of cattle slaughter and beef production during the first quarter of 2017.

The WASDE executive summary also shed light on impressive beef and pork exports during November that raised the profile for exports of these products going into 2017. The average steer price for the last quarter of 2016 came in very close to the high end of the forecast range that was in place during the last half of the quarter. Some of this price strength can probably be tied to exports. WASDE made a significant upward revision to its cattle price forecast for the first quarter of 2017 based on the combined effects of less cattle and beef production along with more beef exports. The second quarter 2017 beef production got a lift from November feedlot placements that were up 15% from a year earlier, surpassing expectations. These placements should be marketed from feedlots this spring.

The USDA estimate of 5% more pigs born during the September-November 2016 time frame took the market by

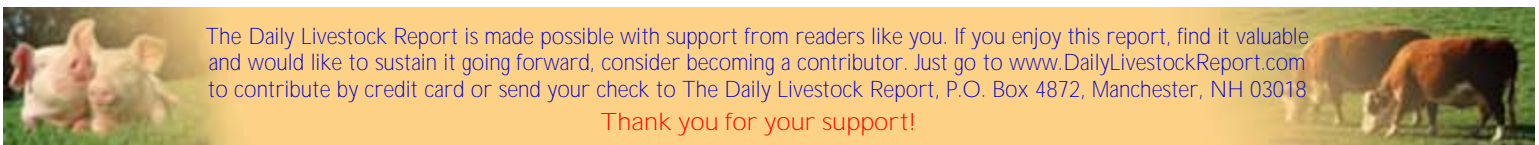
	Beef Production				Choice Steer Price	
	WASDE		WASDE		CME Live	
	Dec Proj	Jan Proj	Dec Proj	Jan Proj	Cattle Futures	
	<i>Million Pounds</i>		<i>\$/cwt.</i>			
2016 I	5935		134.81			
II	6187		127.68			
III	6468		113.26			
IV	<i>f</i> 6550	6635	105-108	107.69		
Total	<i>f</i> 25140	25225	120.56	120.86		
2017 I	<i>f</i> 6165	6070	104-110	112-116	117	
II	<i>f</i> 6290	6405	103-111	105-113	107-116	
III	<i>f</i> 6750	6745	102-110	102-110	102	
IV	<i>f</i> 6735	6735		104-112	102	
Total	<i>f</i> 25940	25955	103-111	106-113		

f - forecast; CME Live Cattle Futures at close of trade 1-12-17

	Pork Production				Live Hog Price	
	WASDE		WASDE		CME Hog	
	Dec Proj	Jan Proj	Dec Proj	Jan Proj	Futures*	
	<i>Million Pounds</i>		<i>\$/cwt.</i>			
2016 I	6230		44.63			
II	5962		53.71			
III	6099		49.26			
IV	<i>f</i> 6625	6645	35-36	37.04		
Total	<i>f</i> 25140	24936	45.78	46.16		
2017 I	<i>f</i> 6440	6455	36-38	39-41	49	
II	<i>f</i> 6150	6365	39-43	38-40	51-58	
III	<i>f</i> 6385	6415	43-47	41-45	57	
IV	<i>f</i> 6825	6970		34-36	46-49	
Total	<i>f</i> 25800	25955	39-41	38-41		

f - forecast; CME Dressed Hog Futures at close of trade 1-12-17 adjusted for carcass-to-live yield of 74%

surprise and lead to a WASDE pork production adjustment for the spring of 2017 of 215 million more pounds of pork than were expected in December. The price impact of the additional supply is partially offset by the improved outlook for pork exports.



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