

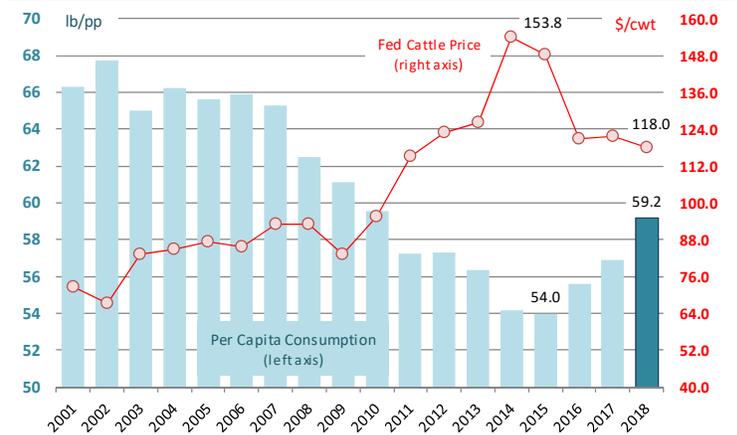
The monthly USDA supply / demand projections of food commodities (WASDE) contained a number of interesting insights but there were two specific points that we were most interested in. First, what the feed supply situation is around the world and potential impact this may have for livestock and poultry producers this year. Second, if USDA made any significant changes to its estimates for beef and pork consumption this year given the robust pace of exports and a lower calf crop in 2017.

**Feed supplies:** USDA normally does not change its corn production estimates in a February report. However, there was a notable change in projected corn exports, reflecting the pace of shipments to this point and the potential impact that tighter global supplies and a weaker US dollar will have down the road. USDA increased its corn export projection by 125 million bushels (+6.5%) compared to its January estimate. Ending stocks were lowered by a similar amount and were down 5% compared to what was forecast in January. **Global corn production was also revised lower, largely due to a sharp cut in production forecasts for Argentina.** Argentine corn production is now forecast to be 39 million MT, down 3 million MT compared to the January forecast (7% reduction). While Argentine production is significantly smaller than the US, it is a major global corn exporter and the reduction in output is expected to directly impact how much Argentine producers will be able to sell in the global market. Argentine corn exports are now projected to be 27.5 million MT, 5.2% less than previously forecasted. The loss of Argentine supply in the global export market is expected to come out of already quite large US stocks. Global corn ending stocks are currently forecast to be 203 million MT compared to near 230 million MT last year and 215 million MT the year before. At the same time global livestock and poultry supplies have been expanding and meat protein demand is expected to support higher consumption levels in 2018 and 2019. Current global supplies still remain adequate but they have declined at a faster pace than previously expected. Often we tend to focus on US corn supplies, which remain quite large from a historical perspective. However, the recent events in Argentina underscore how quickly the situation can shift. Weather conditions in North America and Europe this coming spring/summer will be critical for feed and ultimately livestock markets.

**Meat consumption:** USDA lowered its per capita consumption number for 2018 while revising higher its 2017 estimate. Current forecast is for US beef consumption in 2018 to increase by 4% compared to January when consumption was forecast to increase by 4.5%. The decline in per capita beef consumption was a result of a modest downward revision in beef production (-35 million lb.) and an increase in beef exports (+40 million lb.). USDA still expects beef production to increase by 5.9% in 2018, with production in Q2 forecast to be up 12%. Despite higher

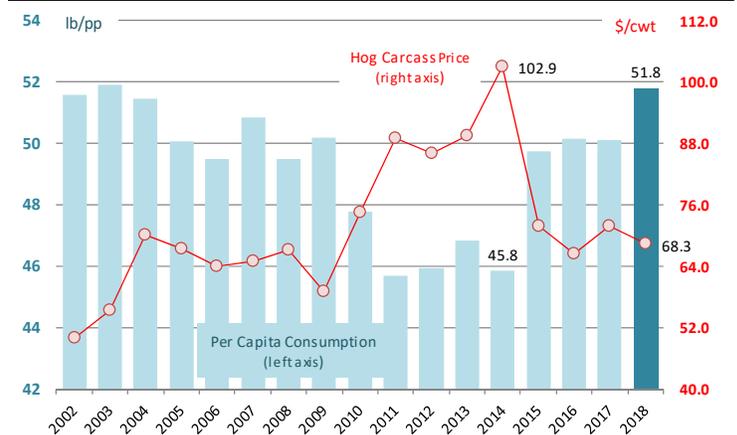
## Per Beef Capita Consumption vs. Fed Cattle Prices

Data Source: USDA. Updated w/ latest forecast for Feb. 2018



## Per Capita Pork Consumption vs. Barrow/Gilt Prices, National Net Price

Data Source: USDA. Updated w/ latest forecast for Feb. 2018



consumption numbers fed cattle prices were slightly higher in 2017. USDA expects only a modest decline in fed cattle prices in 2018, with the mid-point of USDA fed cattle projections now at \$118/cwt, 2.9% less than in 2017. Pork supplies are expected to post strong growth in 2018 but, as with beef, USDA now has a more positive view of demand and thus the price response is expected to be quite modest. USDA lowered pork production by 75 million lb. from the January forecast but still expects production to be up 5% Y/Y and per capita consumption is forecast to increase 3.4% vs. year ago.



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