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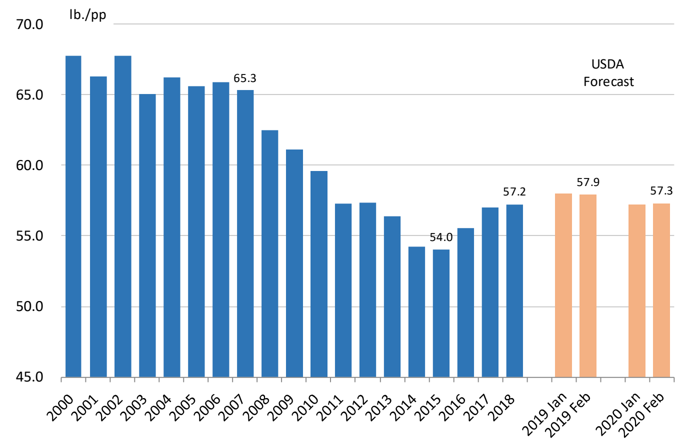
USDA issued yesterday its monthly update of supply/demand projections for 2020. If you were looking at this latest report for a hint of the details in the US-China phase 1 deal, then you will probably be disappointed. While USDA did make some revisions to their numbers, the changes did not reflect a major shift in both the supply or demand outlook. Rather, they seem to be driven mostly by nearby trends. Below are some of the key numbers we observed:

Beef: USDA opted to leave its supply projections unchanged as the 'Cattle Inventory' report did not contain any major surprises. USDA is currently forecasting **commerical beef production for 2020 to be 27.546 billion pounds, 329 million pounds or 1.2% higher than the previous year**. This estimate was unchanged from the one published a month ago. Supply avalaiblity is expected to be higher than a year ago in the first half but then decline towards the end of the year. Beef production in Q1 and Q2 is forecast to be up 3.9% and 5.1%, respectively. This reflects the larger supply of cattle on feed at the start of the year and heavier carcass weights than a year ago. The smaller calf crop of the last two years is expected to catch up with the beef market in the second half of the year, however, and beef production in Q3 is expected to be down 1.3% while Q4 supplies are forecast to be 2.5% lower. But production is only part of the story as **shifts in global supply/demand often result in more or less product available in the domestic market**. In the case of beef, despite an increase of some 329 million pounds in total supply for the year, **per capita consumption is expected to decline by about 1% from a year ago**. Imports are currently forecast at 2.88 billion pounds, 5.8% lower than a year ago. Exports, on the other hand, are currently forecast at 3.3 billion pounds, 278 million pounds or 9% higher than last year. **The diverging trends in exports and imports are expected to more than offset the increase in production and result in less beef available in the domestic market**. It is also important to recognize that the recovery in US beef supplies from the bottom of the last cycle has been quite modest and per capita availability remains 12% below what it was prior to the Great Recession of 2008-09. While beef prices may appear high, remember that there is significantly less product available to the US consumer and higher prices are needed to ration out the supply. The export outlook from USDA looks aggressive but new trade agreements and the potential for more beef going to China suggest more upside for US beef trade in 2020.

Pork: Disruptions to US pork exports in recent weeks have significantly impacted the pork market (see our discussion yesterday) but **USDA expects US pork exports for all of 2020 to reach 7.375 billion pounds, a little over 1 billion pounds more than a year ago or +16.7%**. USDA revised pork exports by 275 million pounds compared to January, we think in part due to the big volume exported in December as well as the signing of the Phase 1 US-China agreement. But what's important to remember is that despite the big jump in exports, the volume of pork available to the domestic consumer is still forecast to be about the same as a year ago and 2.8% higher than it was two years ago. US producers have continued to expand and pork output for 2020 is currently forecast at 28.889 billion pounds, 1.248 billion pounds or 4.5% higher than a year ago. This forecast is 240 million pounds higher than the one presented in January based on a larger supply of hogs on the ground and heavier weights. At this point USDA is using a higher pork supply forecast that what was suggested in the December inventory survey and **USDA analysis continues to suggest that domesitc pork market will remain well supplied this year.**

Per Capita Beef Consumption. 2000 - 2020

Forecasts reflect February USDA WASDE Update. Analysis by Steiner Consulting



Per Capita Pork Consumption. 2000 - 2020

Forecasts reflect December USDA WASDE Update. Analysis by Steiner Consulting