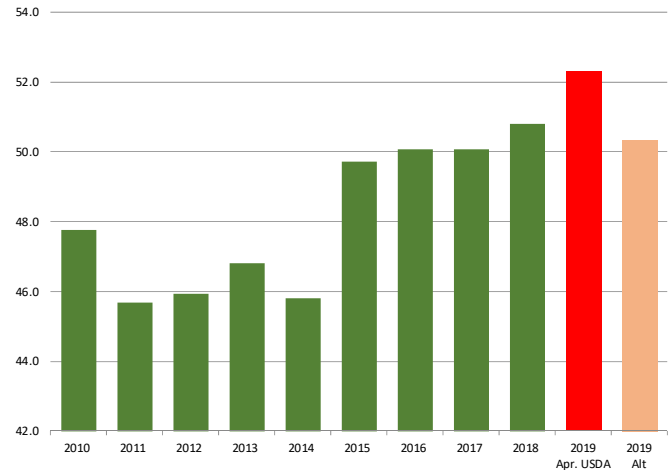


**The latest USDA WASDE report offered updated supply/demand projections for grain, livestock and dairy commodities in 2019.** The report was viewed as somewhat bearish for grains, especially corn. Larger than expected March 1 corn stocks caused **USDA to bump up the season final ending stocks by 200 million bushels or 11%.** At this time USDA is projecting the corn stocks/use ratio for 2018-19 to be about 14% compared to 14.5% for the previous year. Higher carryover stocks and expectations for almost 4 million additional acres of corn to be planted this spring imply ample corn supplies in the 2019-20 marketing year. December corn futures were trading above \$4/bushel at the start of the year but have been trending lower recently. **Futures would probably be even lower if not for fears that excessive moisture may interfere with plantings this spring.** USDA made only minor adjustment to soybean and soybean product balance sheets. Soybean meal ending stocks were left unchanged and USDA expects soybean meal exports to be 2% lower than a year ago but 18.8% higher than two years ago.

As for the **beef and pork balance sheets USDA made only very minor adjustments** despite all the speculation surrounding African Swine Fever and effect this may have on US pork and beef exports in the second half of the year. It is important to keep in mind that USDA methodology is to only **incorporate in their forecasts factors that are already in play.** For instance, if a tariff is in place today then USDA assumes it will be in place through the end of the year. While there is indeed a big potential for US pork exports in 2019, at this time **USDA is waiting for trade to develop before making any significant adjustments to their pork export forecasts.** According to USDA pork production in 2019 is forecast to be 27.339 billion pounds, 105 million pounds or 0.4% lower than the forecast presented in March but still 3.8% higher than a year ago. USDA noted the slower pace of slaughter and the results of the March 'Hogs and Pigs' report as the main reason for the downward revisions. USDA is currently forecasting pork imports to decline by 37 million pounds or 4%. For reference, US pork imports as reported by AMS are down about 6% with pork imports from Canada down 19%. Strong demand for Canadian pork will limit the amount of pork they send to the US. Pork imports from Poland are up 13% and higher belly prices this summer should result in more Polish pork coming this way. US pork exports are forecast at 6.175 billion pounds, 305 million pounds or 5.2% higher than a year ago. This would represent 22.5% of US pork production. Based on these forecasts, **USDA is projecting per capita pork disappearance/consumption to be 52.3 lb/pp (retail wt.), 2.8% higher than a year ago.** Futures markets are clearly pricing much higher exports and a decline in per capita availability for the remainder of the year. We have added an alternative 2019 forecast line making the following assumptions: exports up 965 million pounds (25% of production) or 16.5% higher than a year ago, imports down 8% y/y and production similar to what USDA is projecting. The result is a per capita disappearance number which is 3.7% lower than the USDA number and similar to what we have seen in the last three years. The difference this year is that the upside of export volumes is highly uncertain given the supply hole that has currently emerged in China and potential exports from some key US packers.

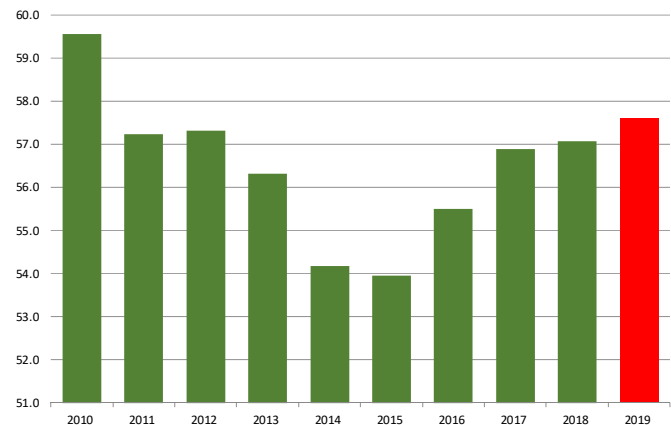
Per Capita Pork Consumption in 2019. lb./pp

Latest USDA WASDE vs. Alt. Forecast with Higher Exports

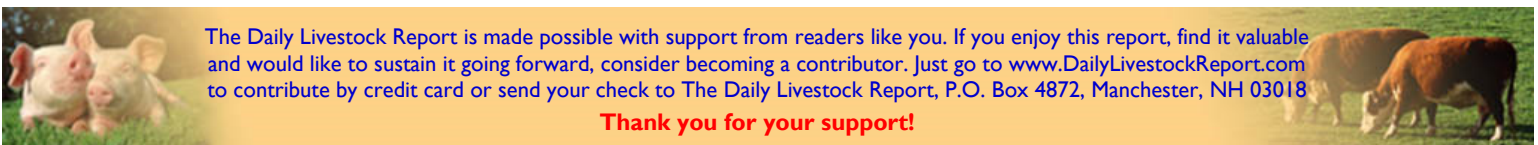


Per Capita Beef Consumption in 2019. lb./pp

History + USDA April WASDE Forecasts



Beef per capita disappearance is currently forecast by USDA to be 57.3 lb/pp compared to 57 pounds a year ago. **USDA opted to leave all key beef numbers unchanged compared to what was presented in March.** Beef production this year is forecast at 27.343 billion pounds, 1.5% higher than a year ago. Beef imports are forecast at 3.010 billion, 0.4% higher than in 2018 while exports are forecast at 3.255 billion pounds, 3.1% higher. Given current trends the trade numbers appear reasonable and production numbers are in line with the lower slaughter and lower weights YTD.



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