

Key highlights from the latest WASDE report:

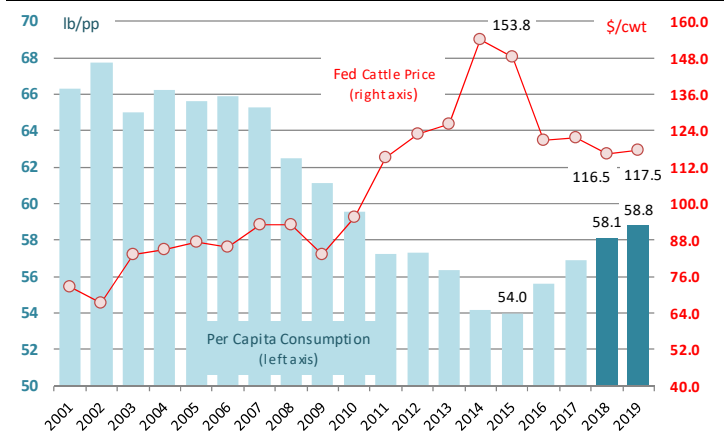
Corn/Beans: There were no changes to the balance sheet for 2017-18 and carryover stocks into the next marketing year were estimated at 2.182 billion bushels. The first estimates for the new marketing year were a bit different than the table we produced in this report yesterday. Trend corn yields of 174 bu./acre were used and combined with 80.7 million harvested acres this implied production of 14.040 billion bushels, 3.9% less than the previous year. Feed and residual were estimated down 2.3% despite more beef, pork and chicken expected to come to market in 2019. Corn exports were forecast down 5.6%, in line with the expected decline in production. Ending stocks were projected at 1.682 billion bushels, a bit higher than the average of analysts at 1.628 billion. Soybean numbers surprised many, with stocks at 415 million bushels for 2018-19 much lower than 535 trade was expecting. Interesting USDA is forecasting US soybean exports for 2018-19 at 2.290 billion bushels, 225 million bushels (+11%) higher than a year ago. China soybean consumption for 2018-19 estimated up 6.9% following a 7.8% increase in 2017-18. Weather / trade war remain two major wild cards for the grain markets in the next three years and continue to inject significant volatility.

Beef: USDA made some notable adjustments to its forecasts for 2018 beef production. Gone is the expected 10% jump in Q2 beef production that was presented in the April report. Now USDA is forecasting Q2 production to be up 5.4% compared to the previous year. Some of this reflects the slower pace of slaughter in April. Production growth in Q3 was revised from 4.3% to 2.9% while Q4 was revised down from 5.1% to 4.9%. For the year USDA now is forecasting beef production to be 27.278 billion pounds, some 424 million pounds less than the forecast presented a month ago. This volume represents a 3.9% increase from year ago levels. Only minor adjustments were made to import/export forecasts so the change in per capita consumption is largely driven by the downward revision in production forecasts. Currently USDA is forecasting 2018 per capita consumption on a retail basis to be 58.1 pounds per person, 1.5% less than in last month's forecast but still 2.1% higher than a year ago. Beef production in 2019 is expected to increase a rather modest 1.8% compared to 2018 levels while per capita consumption next year is forecast at 58.8 pounds per person, up 1.2%.

Pork: Adjustments to 2018 pork production were relatively minor. Q2 production growth was revised down to 4.3% compared to a 4.7% increase forecast in April. Lower weights likely contributed to this adjustment. No changes were made to pork production forecasts for the second half of the year and USDA expects total US pork production in 2018 to be 26.784 billion pounds, 4.6% higher than a year ago. Despite the current ongoing trade disputes with China, USDA did not make any

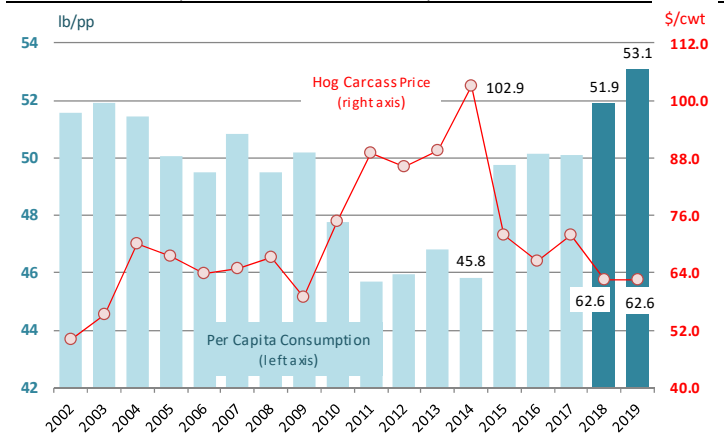
Per Beef Capita Consumption vs. Fed Cattle Prices

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

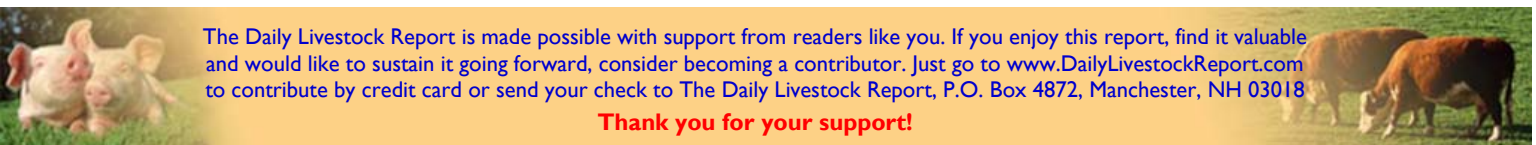


Per Capita Pork Consumption vs. Barrow/Gilt Prices, National Net Price

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



significant changes to its pork export forecast. Pork exports in 2018 are expected to be 5.916 billion pounds, 5% higher than a year ago. Net pork trade in 2018 is expected to increase by 300 million pounds vs. last year. Since total production is expected to increase by 1.186 billion pounds, this leaves 885 million pounds to be absorbed by the domestic market. Current weakness in pork prices may be surprising until you look at the 3.5% jump in per capita consumption in 2018 (see chart). Pork production is forecast to increase another 840 million pounds next year (+3.1%) and 652 million of that supply is expected to go into domestic channels. Keeping export channels open is imperative for pork.



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