Daily Livestock Report

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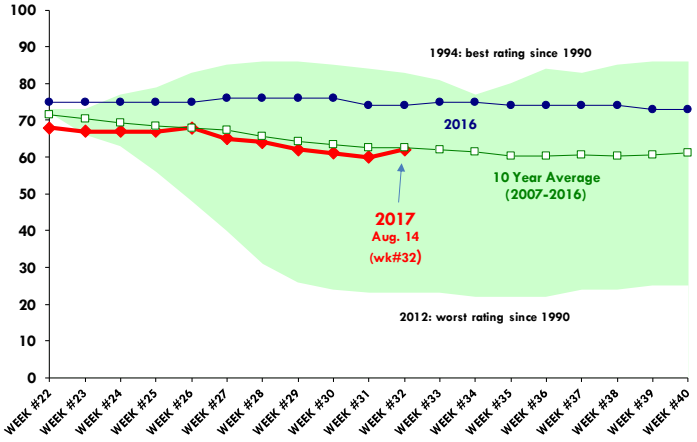
Despite much talk of deteriorating conditions and the potential for lower yields in several parts of the Corn Belt, USDA made some very modest adjustments to its corn and soybean harvest forecasts (see our report on August 11 for full coverage of the WASDE update). **Corn production for 2017-18 is currently forecast at 14.153 billion bushels, 100 million bushels less than the earlier forecast but still about 260 million bushels more than trade was expecting**. There are plenty of private analysts pointing to the potential for downward revisions in yields in the September report and this divergent opinion was expressed in the pre-report survey. It is possible that USDA will present a different picture in its next update, after all at that point USDA analysts will start to get objective field data, including ear weights. Windshield tours are nice and all but it is always hard to try to come up with national yield estimates without a large enough sample of data. There have been some parts of the country with significant drought conditions this year while others have enjoyed above average weather. On page 2 we have included two charts that USDA updates each week. We think they give you a good sense as to what areas have been impacted by drought and how important those regions are for the national corn and soybean harvest.

For the week ending August 13, USDA reported that **62% of the corn crop was in good or excellent condition, this was 12 points under last year's levels and the lowest rating for this week since 2012**. The rating is near the 10 year average but keep in mind that average includes 2012, which had a good/excellent rating of 23%. If we were to take that year out of the average as an outlier, then current condition rating would be about 5 points under the average. The current corn crop is also a bit behind last year's in terms of maturity, with 61% of the crop in the dough stage compared to 70% last year and 16% of the crop dented compared to 19% a year ago and 20% for the five year average. Drought pressures in the Dakotas have increased and we now are seeing more corn acres in Iowa also come under some drought pressure. According to USDA, 10% of corn acres in Iowa are now in either severe or extreme drought conditions while an additional 32% of the corn planted acres in Iowa are in moderate drought. For the entire country, 5% of planted corn acres are in either extreme or severe drought and another 11% are in moderate drought. So while the rating percentage has not slipped much in the last few weeks, one should recognize the impact that drought conditions may have on ear weights and final yields.

Summer weather takes a toll on pastures during this time of year and this year is not different. USDA currently estimates that 47% of pastures and ranges are in excellent or good condition, 4 points less than the same time last year. Current conditions still are above that 10 year average but, as with corn, one needs to recognize that the long

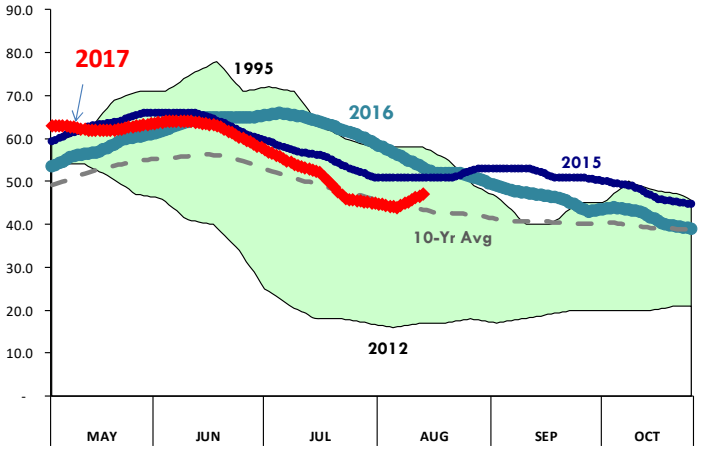
CORN CROP CONDITIONS

% RATED AS GOOD OR EXCELLENT SINCE 1990



US PASTURE CONDITIONS: 20 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION. WEEK of August 13, 2017. Source USDA/NASS



run average includes that disastrous 2012 year when good/excellent rating dropped to under 20%. Current pasture rating is the worst since 2013. Deteriorating pasture conditions and deteriorating profit outlook could continue to put pressure on cow-calf operators, pushing calves to market earlier than expected and, in some cases, forcing producers to change their plans about expanding the beef cow herd. Low feed costs and ample hay supplies have bolstered calf supplies in the last three years. But much as we would like that to be the case, weather patterns turn and invariably this directly impacts cattle production (pastures/corn) and hog / chicken production (corn).

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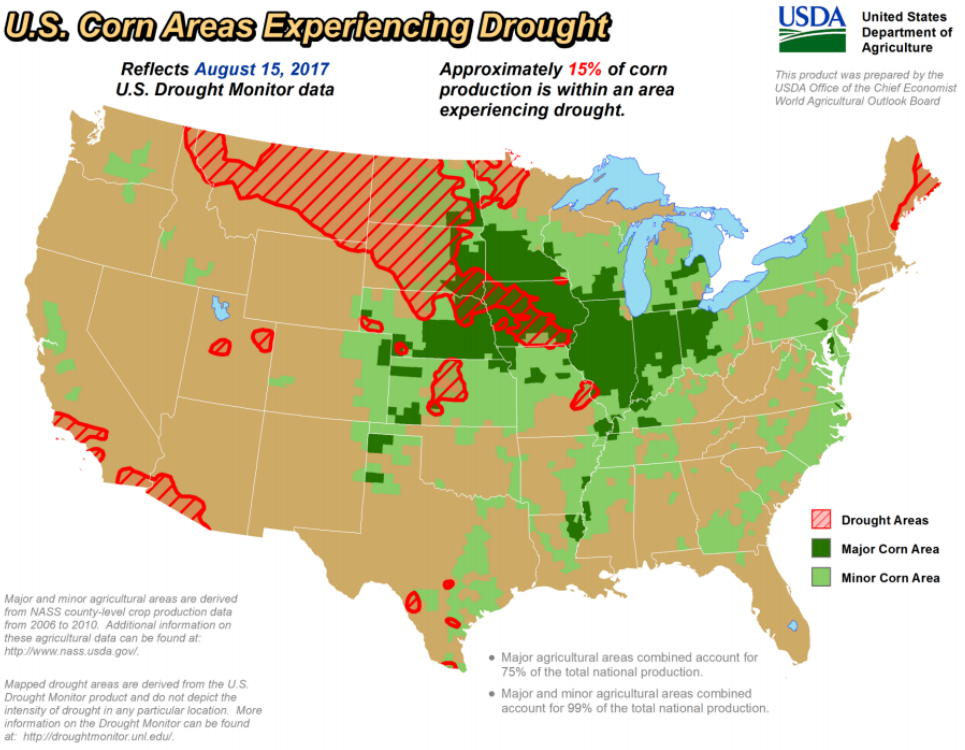

https://www.usda.gov/oce/weather/Drought/AgInDrought.pdf