

Today's DLR shifts the horizon further out taking a look at 2020. Of course, it's difficult to say what will happen with trade and some other key issues, but nevertheless working through the numbers should give us some idea what to expect on the production side.

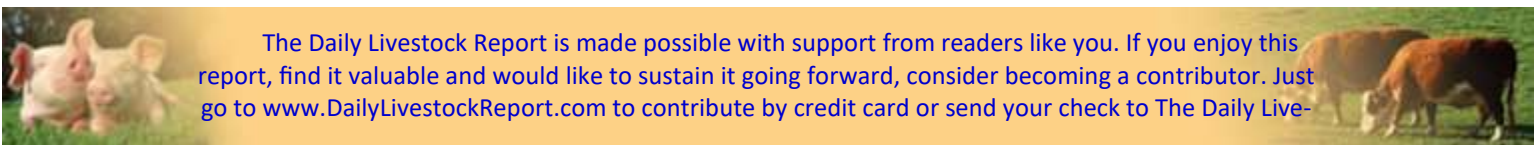
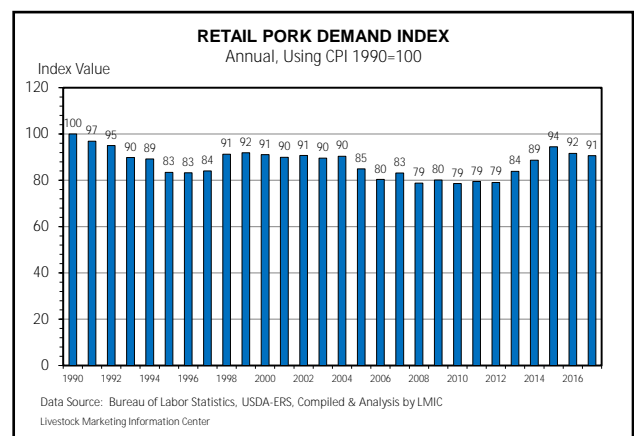
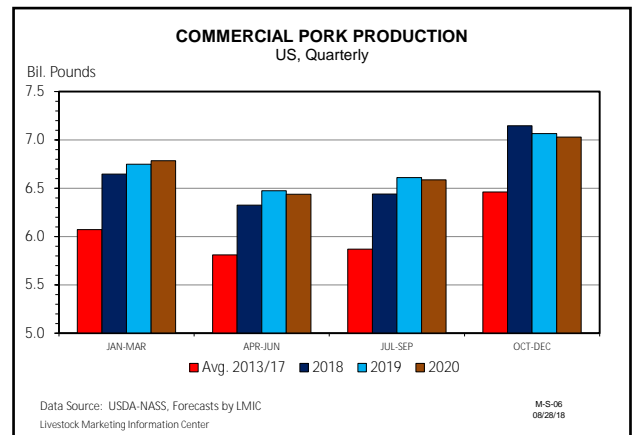
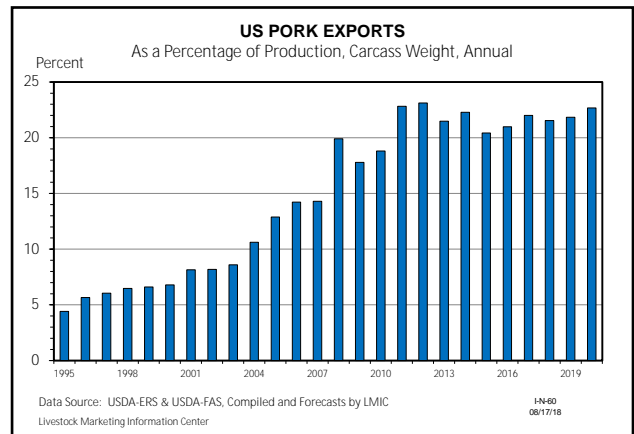
Livestock Marketing Information Center (LMIC) has taken their first cut at pork supply and utilization for 2020. The punchline is that for the first time since 2014 estimated annual commercial slaughter may decline slightly year-over-year in 2020. At least through the first half of 2019, hog producer margins are expected to be negative. In part because breeding decisions and production cycle have already made, those decisions will take us through the first half of 2019 with larger year-over-year supplies leading to lower prices. Pressured producer profitability suggests a transition is likely by 2020, although like at a slow pace. Recent expansion in the finishing and farrowing sectors will make initializing a slow down a difficult choice for producers. Older facilities and those with tougher debt load structures may be the first to flinch.

Sow slaughter is likely to increase slowly over the next year. This slow transition is likely to lead to year-over-year increases in hog slaughter through the rest of 2019. Assuming the weight trend of the last few years continue and take into account lower feed costs expected in 2019 and likely in 2020, it leads to a change in commercial pork production of 0.2% lower than 2019.

Domestic per capita consumption (disappearance) was boosted by 2.4% in 2018, and with higher production in 2019 combined with trend line population growth puts per capita consumption up another 0.3 pounds (retail weight) per person or 0.7%. In 2020, higher population, larger exports, and lower production add up to a decrease in per capita consumption by 1.2%, losing 0.6 pound to 2019's figures. This does not indicate less demand as it does not have a price component. Demand is function of price and quantity. Domestic per capita consumption is a straight math calculation off of total disappearance. This total disappearance takes into account ending stocks and exports.

In the last year, exports have been a big part of the discussion, and 18 months out, the great unknown is the status with U.S. trade partners. Taking a broader perspective, exports have represented over 20% of pork production (excluding variety meats) since 2011. If we use production as a driver for exports, we come up record high pork exports in 2020, but still maintain a ratio of about 22% of production.

Retail pork demand is expected to remain in line with current trends shown in the graph to the right.



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PRODUCTION & PRICE SUMMARY

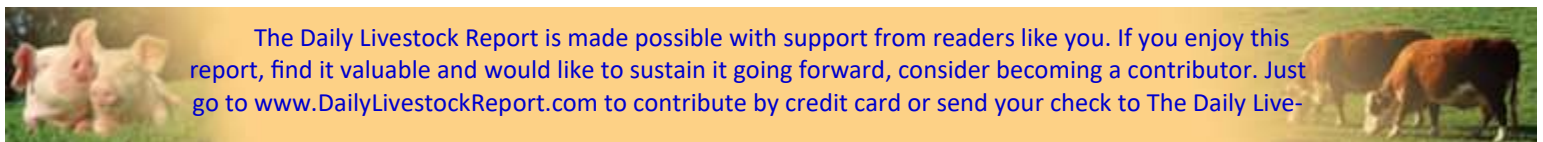
Week Ending 9/1/2018

Source: Various USDA Agricultural Marketing Service (Market News) reports. DATA ARE PRELIMINARY.

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
		1-Sep-18	25-Aug-18		2-Sep-17			
Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,927	1,949	-1.1%	1,852	4.0%	64,070	2.0%
C FI Slaughter	Thou. Head	635	636	-0.2%	623	1.9%	21,758	2.7%
A FI Cow Slaughter **	Thou. Head	121	120	1.1%	111	9.8%	9,648	7.0%
T Avg. Dressed Weight	Lbs.	818	815	0.4%	823	-0.6%	811	0.3%
T Beef Production	Million Lbs.	518.4	517.6	0.2%	511.9	1.3%	17,653	3.1%
L Live Fed Steer Price, 5-Mkt	\$ per cwt	107.17	109.02	-1.7%	104.66	2.4%		
E Dressed Steer Price, 5-Mkt	\$ per cwt	169.31	172.78	-2.0%	165.71	2.2%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	158.41	157.75	0.4%	154.71	2.4%		
& Choice Beef Cutout	\$ per cwt	212.03	213.99	-0.9%	191.65	10.6%		
Hide/Offal	\$ per cwt, live wt	9.50	9.32	1.9%	10.63	-10.6%		
B Rib, Primal, Choice	\$ per cwt	351.77	358.49	-1.9%	302.11	16.4%		
E Round, Primal, Choice	\$ per cwt	163.69	162.69	0.6%	166.72	-1.8%		
E Chuck, Primal, Choice	\$ per cwt	178.14	178.23	0.0%	166.37	7.1%		
F Trimmings, 50%, Fresh	\$ per cwt	68.92	86.97	-20.8%	54.02	27.6%		
Trimmings, 90%, Fresh	\$ per cwt	209.96	211.17	-0.6%	231.29	-9.2%		
H FI Slaughter	Thou. Head	2,455	2,518	-2.5%	2,322	5.7%	81,296	2.9%
H FI Sow Slaughter **	Thou. Head	58.4	56.9	2.7%	55.3	5.7%	4,850	2.0%
O Avg. Dressed Weight	Lbs.	208.0	208.0	0.0%	209.0	-0.5%	212	0.6%
G Pork Production	Million Lbs.	510.2	522.7	-2.4%	484.3	5.3%	17,210	3.5%
S Iowa-S. Minn. Direct	Wtd. Avg.	36.81	38.89	-5.3%	63.51	-42.0%		
& Natl. Base Carcass Price	Wtd. Avg.	49.72	51.97	-4.3%	70.52	-29.5%		
& Natl. Net Carcass Price	Wtd. Avg.	52.03	54.22	-4.0%	73.05	-28.8%		
P Pork Cutout	\$ per cwt	65.71	65.66	0.1%	84.54	-22.3%		
P By-product Value	\$ per cwt, live wt	3.65	3.71	-1.6%	3.97	-8.1%		
O Ham, Primal	\$ per cwt	52.62	54.41	-3.3%	68.98	-23.7%		
R Loin, Primal	\$ per cwt	73.60	73.50	0.1%	82.80	-11.1%		
K Belly, Primal	\$ per cwt	75.39	75.49	-0.1%	129.04	-41.6%		
Trimmings, 72%, Fresh	\$ per cwt	41.75	43.62	-4.3%	56.29	-25.8%		
C Young Chicken Slaughter *	Million Head	166.5	168.8	-1.3%	163.67	1.8%	5,475	-0.2%
H Avg. Weight (RTC)	Lbs.	4.75	4.76	-0.2%	4.58	3.6%	4.69	0.8%
I Young Chicken Production (RTC)	Million Lbs.	791.1	803.0	-1.5%	750.1	5.5%	25,664	0.6%
C Eggs Set (US)	Million	225.8	227.1	-0.6%	225.4	0.2%	19,346	2.7%
K Chicks Placed (US)	Million Head	186.7	184.6	1.1%	184.7	1.1%	15,637	1.7%
E National Composite Whole Bird	Composite	82.57	82.52	0.1%	89.44	-7.7%		
N Northeast Breast, B/S	\$ per cwt	106.55	112.56	-5.3%	144.00	-26.0%		
Northeast Leg Quarters	\$ per cwt	31.3	30.94	1.2%	43.17	-27.5%		
T Total Turkey Slaughter *	Million Head	4.29	4.40	-2.5%	4.29	0.0%	140.3	-0.2%
U Avg. Weight (RTC)	Lbs.	25.08	23.97	4.6%	24.75	1.3%	25.25	-0.5%
R Turkey Production (RTC)	Million Lbs.	107.5	105.4	2.0%	106.1	1.3%	3,542	-0.7%
K National Hen (8-12 Lbs)	\$ per cwt	83.33	82.94	0.5%	101.50	-17.9%		
G Corn, Omaha	\$ per Bushel	3.18	3.23	-1.4%	3.19	-0.2%		
R Distillers Grain, Chicago	\$ per Ton	150.00	147.50	1.7%	117.50	27.7%		
A Wheat, Kansas City (delivered)	\$ per Bushel	5.99	6.06	-1.2%	5.03	19.1%		
I Soybean, Cntrl IL	\$ per Bushel	7.83	8.09	-3.3%	9.40	-16.8%		
N Soybn Meal 48%, Cntrl IL	\$ per Ton	309.90	322.70	-4.0%	295.80	4.8%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of 'actual' rather than "preliminary" weekly slaughter report).



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