

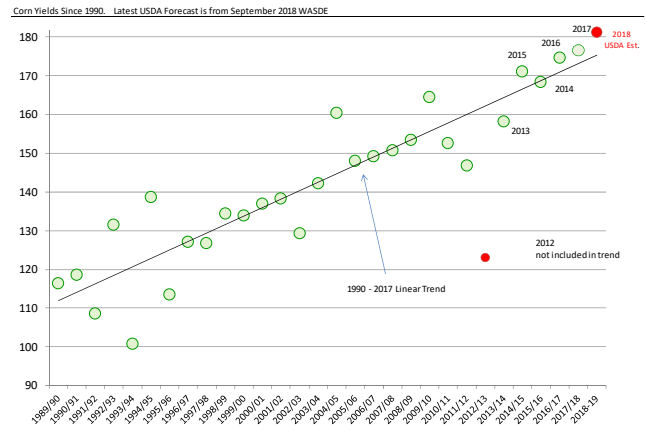
The latest USDA WASDE report offered a bearish picture for grains, but only very modest changes were made to earlier forecasts for 2018-19 meat protein and dairy supplies. Below are some of the main highlights .

- Corn yields forecasted in the August report were already at record levels and coming into the report analysts expected USDA to temper some of those expectations. Instead **USDA surprised most participants by revising corn yields higher to a new all time record of 181.3 bushels**. According to USDA the revision is due to record ears per acre and ear weights that are just as heavy or even heavier than in 2016 and 2017. It remains to be seen if this current estimate holds as harvest gets under way. As of September 9 about **35% of the US corn crop was mature compared to 22% last year and 21% for the five year average**. Just 5% of the corn crop has been harvested at this point. As more data becomes available this forecast may change. For now **the increase in yields has offset the reduction in planted acres**. Corn production this year is expected to be 14.827 billion bushels, 1.5% higher than a year ago despite a 1.2% reduction in planted acres. Feed and residual demand for 2018-19 is now forecast at 5.575 billion bushels, the highest feed demand number since 2007-08. Ethanol production is much higher today than it was back then so one also has to consider the supply of DDGs that currently goes into livestock feed.

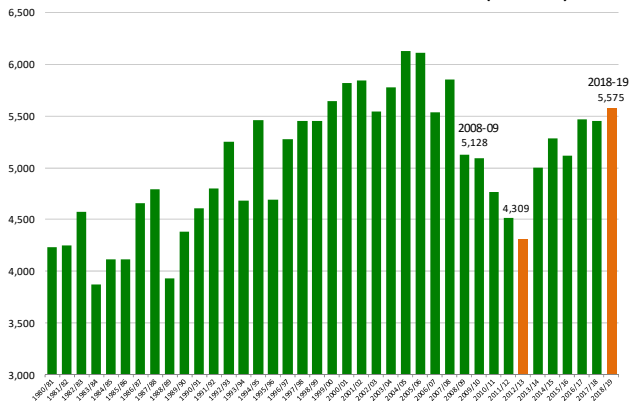
- The bearish corn numbers likely supported feeder cattle and fed cattle futures yesterday. Lean hog futures were also higher. Livestock production has expanded in recent years on a combination of robust and growing demand for meat protein and lower feed costs. **The latest USDA data suggests that feed supplies should be plentiful into next year**. In addition to a larger than expected corn harvest, USDA also expects higher soybean and soybean meal supplies during 2018-19. Soybean production in 2018-19 is forecast at 4.693 billion bushels, 6.9% higher than a year ago. Higher taxes on US soybeans going to China are expected to negatively impact demand. More beans will end up in storage, with ending soybean stocks now forecast at 845 million bushels, 114% higher than a year ago. The increase in soybean supplies implies **a higher domestic crush and soybean meal production is forecast at 48.950 million s. ton, 9.3% higher than a year ago**. Meal prices that were flying high earlier in the year have collapsed back to earth and USDA expects prices for the season to now be lower than the previous year.

- USDA opted to make only **very modest changes to its estimates for beef, pork and chicken supplies**. Pork production for Q4 of this year is still expected to be 6.3% higher than a year ago, an assumption that likely reflects an increase in both hog slaughter and hog weights. USDA expects pork production in 2019 to be 27.889 billion pounds, 4.5% higher than the record supply of 2018. Pork exports next year are pegged at 6.115 billion pounds, 0.3% higher than the forecast presented in August and just 2% higher than in 2018. The spread of African Swine Fever in China and rising global pork demand could change the calculus for US pork exports next year, however. Beef production next year is forecast at 27.783 billion pounds, 2.3% higher than in 2018. Exports are forecast up 2.5%.

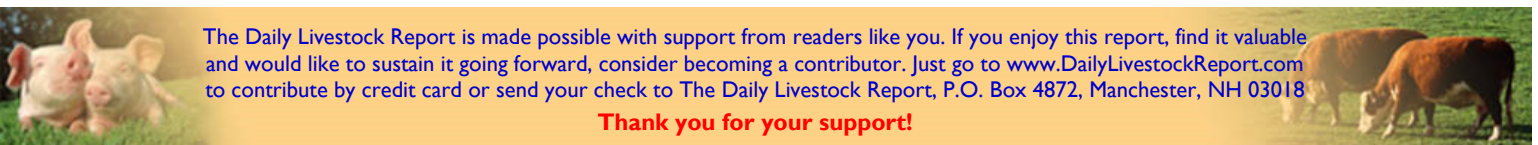
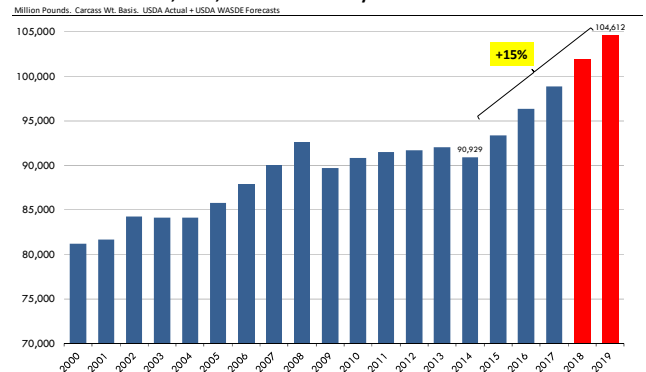
CORN YIELDS SINCE 1990 AND 2018-19 USDA FORECASTED YIELDS



US CORN GOING INTO LIVESTOCK & POULTRY FEED (+ residual)



Combined USA Beef, Pork, Broiler and Turkey Production



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