

**On Monday, we all awoke to news of the deadliest mass shooting in modern U.S. history at a concert Sunday night in Las Vegas. Our hearts and prayers go out to all the victims and their families. We are deeply grateful to the first responders and all those providing aid and comfort. Sunday's tragedy came at a time when we are still confronting the needs for assistance and recovery from the devastating hurricanes in Puerto Rico, Caribbean islands, Florida, and Texas. The death toll continues to escalate from the earthquake in Mexico. Of course, the carnage in Las Vegas was not caused by Mother Nature.**

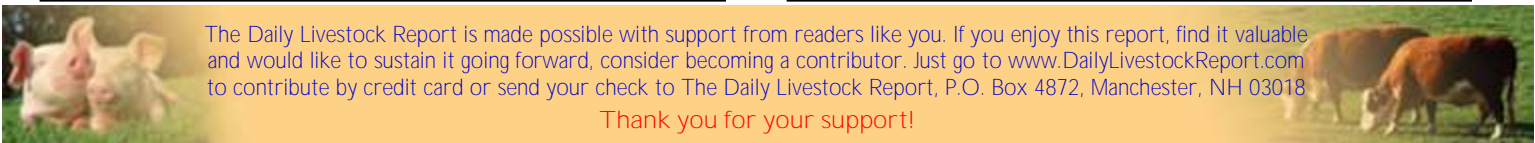
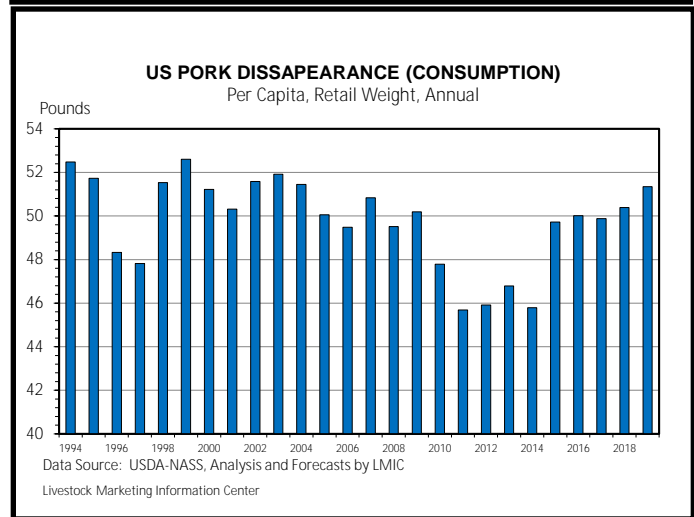
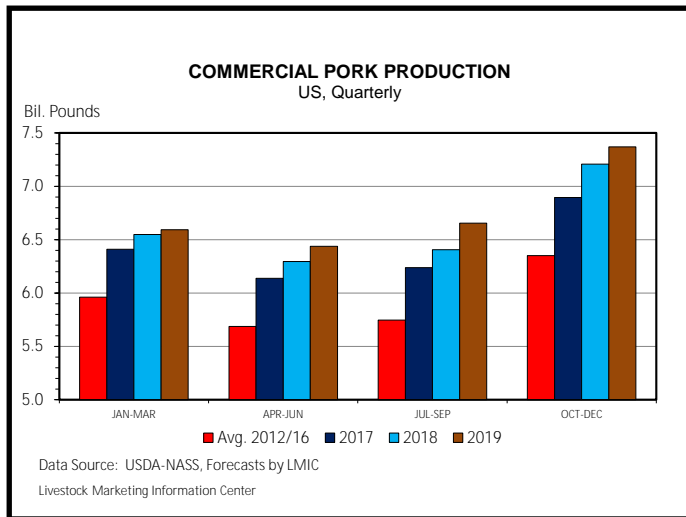
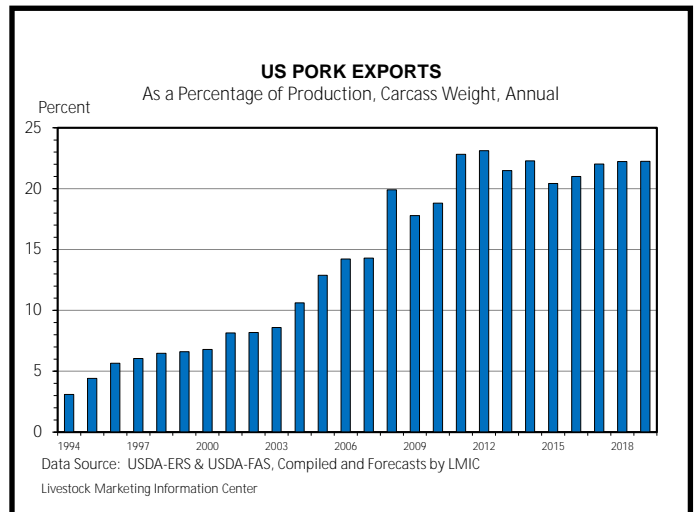
Last week's Quarterly Hogs and Pigs report from USDA (National Agricultural Statistics Service) gave considerable insight into the supply prospects in the U.S. hog/pork sector well into next year. Today, we provide some longer-term perspective by extrapolating on that report and incorporating the preliminary analysis of the Livestock Marketing Information Center (LMIC) for late 2018 and '19. On an annual basis, U.S. commercial pork production this calendar year is projected at about 25.7 billion pounds, up 3.0% year-over-year. LMIC forecasts for 2018 and 2019 are for annual increases of 2-4% and 1-4%, respectively.

Turning to quarterly production levels (see graphic below), year over year increases are expected throughout 2019. Over the next few years, the largest percentage increases in output could be in the fourth quarter of 2018 (the mid-point of the forecast range for that quarter is for a 4.5% year-over-year jump).

Regarding demand, the export markets for pork will remain critical. Forecasts call for continued annual increases in tonnage sold to foreign countries. However, exports may only continue to

grow in-line with that of production. That is, as depicted in the graphic below, U.S. pork export tonnage (meat only not variety meats, etc.) may not grow significantly as a percentage of pounds produced. That forecast can be exceeded if the U.S. bolsters markets for pork products beyond those historically sold.

The bottom line is that U.S. per capita disappearance of pork in 2017 and 2018 may remain near 2016's levels. But watch out for 2019, which suggests lower domestic retail prices to move the largest amount of product (retail weight) domestically since 2014 (see the third graph).



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