

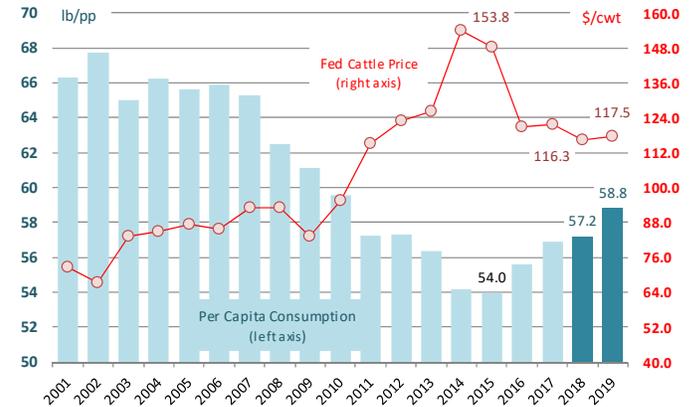
Below are highlights from the latest USDA WASDE report:

Corn/Beans: USDA estimates corn production for 2018-19 at 14.778 billion bushels, 49 million bushels or 0.3% lower than the September forecast. This was a bit of a surprise as analysts on average expected USDA to revise yields higher and thus bump up projected output. On average analysts were expecting corn production to be 14.872 billion bushels and yields at 181.8 bu/acre were about 1 bushel higher than the USDA number. Corn futures have been gaining in recent weeks and this latest report did little to change that trend. Despite the lower than expected production, USDA revised higher its carryover stocks for 2018-19, largely because of the upward revision to stocks for 2017-18. This was expected, however. Currently USDA is projecting 2018-19 stocks at 1.813 billion bushels, 15.2% lower than in 2017-18. **Corn exports are expected to increase 1.5% in 2018-19.** While markets in the short term continue to focus on harvest progress and potential weather impacts, going forward we should see a shift in focus from supply to demand. Corn export sales will be critical in that regard. Soybean supplies are plentiful and USDA now forecasts soybean carryover for 2018-19 at 885 million bushels, slightly under what analysts were projecting but by far the highest on record. With bean prices under pressure and uncertainty about soybean trade next year, there is an expectation that we may see an even bigger shift in acres from soybeans to corn next year.

Beef: USDA lowered its beef production estimate for 2018 by 150 million pounds or 0.5% and per capita beef consumption in 2018 was revised down by 0.4 points. It is interesting to note the steady downward revisions in beef production and per capita consumption numbers for this year. Beef prices have held up better than many expected. In part this is due to robust beef demand but also because the supply available in domestic channels has not been as large as previously thought. In May USDA was projecting per capita beef consumption in 2018 at 58.1 pounds per person. The October report now pegs per capita consumption at 57.2 pounds, 1.5% less than earlier thought and just 0.5% higher than last year. Fed steer prices for 2018 are now forecast at \$116/cwt, about 4% lower than a year ago. Building inventories of cattle on feed imply more cattle available for marketing next year, causing USDA to revise up its supply estimates for next year. USDA now forecasts beef production for next year at 27.973 billion pounds (cwe), 190 million pounds or 0.7% higher than the September estimate. **Per capita consumption for next year is forecast at 58.8 pounds per person, 2.8% higher than this year.** Despite the higher per capita consumption number, cattle prices are expected to be modestly higher if we use the midpoint of the forecast range. The current forecast range for cattle next year is 113-122. Futures as of this writing imply an average \$117 steer price for next year

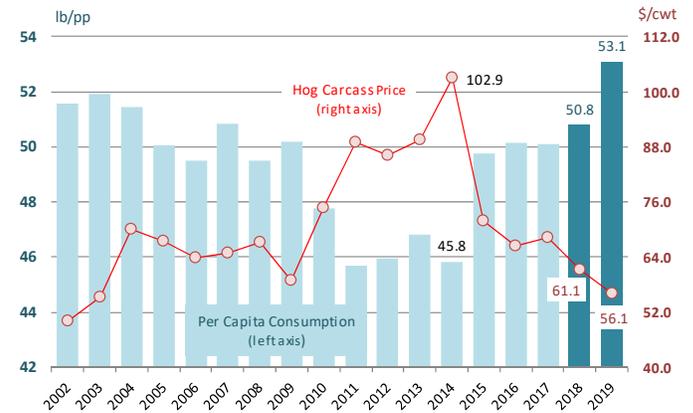
Per Beef Capita Consumption vs. Fed Cattle Prices

Data Source: USDA. Updated w/ latest forecast from October 2018 WASDE.



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

Data Source: USDA. Updated w/ latest forecast from October 2018 WASDE



Pork: Recent production trends caused USDA to revise its 2018 production by 250 million pounds and per capita consumption at 50.8 pounds per person was 0.7 pounds lower than earlier forecast. Back in May per capita pork consumption for 2018 was forecast at 51.9 pounds. Pork production next year is forecast up 5.2% and per capita consumption up 4.5%. Futures currently hold a significant premium for next year. The midpoint USDA hog price for next year is around \$56/cwt (dressed wt equiv) compared to \$71.5 futures are currently trading. Clearly the market thinks production may not be as big as USDA thinks and ASF should bolster trade. **How many pounds do we need to export to bring per capita consumption to 50 pp: 7.5 billion or 20% more than current USDA forecast (this assumes we do produce 2.8B).**



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