

On page 2 we have included our regular weekly update, which summarizes prices and production for the past week. Please note that some of the prices are preliminary since actual day prior data for Friday will not be released until today. The production numbers in the attached table are worth noting. While overall meat supplies in the US continue to expand, growth last week was up just 2% compared to a year ago. Beef production for the week was estimated at 527.6 million pounds, 3% higher than last year. Pork production was actually 1.9% lower than a year ago while chicken and turkey production were 3.9% and 4.8% higher, respectively.

Last week USDA released the latest issue of its semi-annual review of global production and trade. A lot of work and effort goes into producing this report and it remains a key reference point for analysts in many countries. The table to the right was reproduced from the report and it provides a quick summary of production and export expectations for the three main players in the global meat protein market. **USDA currently expects global beef exports next year to be around 10.576 million MT (carcass wt. basis), marginally higher than what is forecast for 2018.** Exports from Australia are expected to decline by 120k MT or 7.3%. There is a lot of uncertainty at this point about Australian production next year. Drought conditions have worsened in recent months and this has forced Australian producers to send more cattle to market. The cattle herd has been slowly expanding in Australia but drought has put expansion on hold. The forecast above implies some improvement in weather conditions, which would cause producers to once again limit the number of females they send to market. Feed prices in Australia remain very high as drought has impacted not just pastures but also feed wheat and barely production. Feed supply availability will be critical for the Australian industry next year. The issue is of particular interest for US end users, since the US is both a large exporter and importer of beef. Please note that **even as Australian beef exports increased this year due to drought, US beef imports were little changed.** Strong demand in Asian markets and lower Australian exports would significantly limit the amount of Australian beef available in the US next year. The last USDA WASDE report had beef imports next year higher than in 2018. That may be difficult to achieve if Australian exports decline by 7.3% and China beef consumption continues to expand to the degree it did this year.

One major uncertainty for next year is pork supply availability in the global market. USDA expects EU pork production growth to be flat in 2019 and their exports are forecast just 3% higher. On the other hand US and Brazil production and exports are expected to increase. But what the table above does not show is the elephant in the room (figuratively and literally) i.e. Chinese production. Given the information currently available, USDA expects Chinese pork production to increase

USDA World Trade Forecasts for 2019

Prepared and Presented by USDA-FAS

Web: https://apps.fas.usda.gov/psdonline/circulars/livestock_poultry.pdf

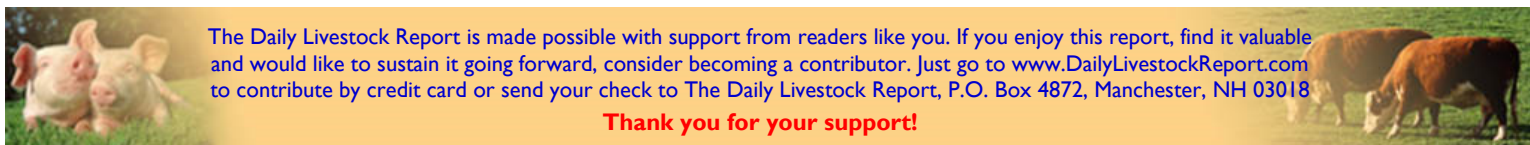
| Major Exporters: 2019 Forecast | | | |
|--------------------------------|------------|---------|-----|
| Beef | | | |
| Country | Production | Exports | |
| United States | ↑ 4% | ↑ | 3% |
| Brazil | ↑ 3% | ↑ | 5% |
| Australia | ↓ -5% | ↓ | -7% |

| Pork | | | |
|---------------|------------|---------|----|
| Country | Production | Exports | |
| EU | → 0% | ↑ | 3% |
| United States | ↑ 5% | ↑ | 4% |
| Brazil | ↑ 3% | ↑ | 7% |

| Chicken Meat | | | |
|---------------|------------|---------|----|
| Country | Production | Exports | |
| Brazil | ↑ 2% | ↑ | 2% |
| United States | ↑ 2% | ↑ | 3% |
| EU | ↑ 1% | ↑ | 5% |

Approved by the World Agricultural Outlook Board/USDA

next year, albeit at a modest pace. Chinese production has declined in the last two years according to USDA but higher local prices are expected to cause some producers in China to expand. This is far from certain, however. More cases of African Swine Fever were reported over the weekend and **the experience with Blue Ear disease in 2007 should be sobering for all.** A little over a decade ago, the spread of the so called "blue ear" disease, a more virulent form of PRRS, caused Chinese pork production in 2007 to decline by 3.6 million MT or 7.8% (per USDA). However, imports at the time increased from 53k to 182k MT. USDA notes an important point in their discussion that most imports into China are frozen pork while the preference in the local market is for fresh pork. While market participants continue to fret about the possibility of a major shortfall in Chinese pork production, it may not follow that each pound of production lost will be replaced by a pound of imported product. (see link above for the full USDA report)



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **10/13/2018**

Source: Various USDA Agricultural Marketing Service reports. Some data are preliminary. Weekly Avg. Prices

| Item | Units | Current Week | Last Week | Pct. Change | Last Year | Pct. Change | YTD | Y/Y % Change |
|--|----------------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|
| | | 13-Oct-18 | 6-Oct-18 | | 14-Oct-17 | | | |
| Total Beef, Pork, Chicken, Turkey | mil lbs., cwe | 1,968 | 1,975 | -0.34% | 1,927 | 2.13% | 75,528 | 1.7% |
| C FI Slaughter | Thou. Head | 639 | 643 | -0.62% | 623 | 2.49% | 25,585 | 2.6% |
| C FI Cow Slaughter ** | Thou. Head | 119 | 119 | -0.75% | 113 | 4.56% | 4,587 | 7.4% |
| T Avg. Dressed Weight | Lbs. | 827 | 827 | 0.00% | 824 | 0.36% | 814 | 0.3% |
| T Beef Production | Million Lbs. | 527.6 | 530.9 | -0.62% | 512.4 | 2.97% | 20,821 | 2.9% |
| L Live Fed Steer Price | \$ per cwt | 110.63 | 110.95 | -0.29% | 111.01 | -0.34% | | |
| E Dressed Fed Steer Price | \$ per cwt | 173.76 | 174.83 | -0.61% | 174.96 | -0.69% | | |
| Oklahoma Steer (600-700 lbs) | \$ per cwt | 158.88 | 165.16 | -3.81% | 158.46 | 0.27% | | |
| & Choice Beef Cutout | \$ per cwt | 202.68 | 204.30 | -0.79% | 197.50 | 2.62% | | |
| Hide/Offal | \$ per cwt, live wt | NQ | 9.12 | N/A | 10.35 | N/A | | |
| B Rib Primal, Choice | \$ per cwt | 373.81 | 373.16 | 0.17% | 344.68 | 8.45% | | |
| E Round Primal, Choice | \$ per cwt | 165.15 | 165.82 | -0.40% | 169.36 | -2.49% | | |
| E Chuck Primal, Choice | \$ per cwt | 162.43 | 164.48 | -1.25% | 168.78 | -3.76% | | |
| F Trimmings, 50% | \$ per cwt | 47.32 | 42.44 | 11.50% | 48.87 | -3.17% | | |
| F Trimmings, 90% | \$ per cwt | 190.87 | 194.33 | -1.78% | 216.47 | -11.83% | | |
| FI Slaughter | Thou. Head | 2,489 | 2,503 | -0.56% | 2,512 | -0.91% | 95,736 | 2.2% |
| FI Sow Slaughter ** | Thou. Head | 60.1 | 56.2 | 6.98% | 57.8 | 4.00% | 2,242 | 1.9% |
| H Avg. Dressed Weight | Lbs. | 209.0 | 209.0 | 0.00% | 211.0 | -0.95% | 211 | 0.3% |
| O Pork Production | Million Lbs. | 518.9 | 521.9 | -0.57% | 528.8 | -1.87% | 20,223 | 2.5% |
| G Iowa-S. Minn. Base | Wtd. Avg. | 62.95 | 63.39 | -0.69% | 55.93 | 12.55% | | |
| S Natl. Base Carcass Price | Wtd. Avg. | 67.45 | 67.07 | 0.57% | 59.39 | 13.57% | | |
| Natl. Net Carcass Price | Wtd. Avg. | 69.62 | 69.24 | 0.55% | 61.60 | 13.02% | | |
| Pork Cutout | 205 Lbs. | 79.17 | 80.27 | -1.37% | 73.84 | 7.22% | | |
| Ham Primal | \$ per cwt | 55.46 | 61.49 | -9.81% | 64.42 | -13.91% | | |
| Loin Primal | \$ per cwt | 78.78 | 81.56 | -3.41% | 73.75 | 6.82% | | |
| Belly Primal | \$ per cwt | 134.77 | 124.03 | 8.66% | 95.17 | 41.61% | | |
| Trimmings, 72%, Fresh | \$ per cwt | 60.09 | 59.60 | 0.82% | 63.76 | -5.76% | | |
| Hog By-Product Value | \$ per cwt, live wt | NQ | 3.71 | N/A | 3.79 | N/A | | |
| C Young Chicken Slaughter * | Million Head | 167.5 | 169.6 | -1.25% | 165.8 | 0.99% | 6,457 | -0.2% |
| H Avg. Weight (RTC) | Lbs. | 4.84 | 4.79 | 1.11% | 4.70 | 2.91% | 6.18 | 0.9% |
| I Young Chicken Production (RTC) | Million Lbs. | 810.8 | 812.1 | -0.15% | 780.2 | 3.93% | 30,341 | 0.7% |
| C Eggs Set (19-state) | Million | 216.0 | 214.3 | 0.83% | 215.4 | 0.29% | 9,069 | 1.9% |
| K Chicks Placed (19-state) | Million Head | 170.7 | 174.4 | -2.08% | 174.0 | -1.89% | 7,331 | 1.2% |
| E National Composite Whole Bird | Composite | 83.32 | 80.56 | 3.43% | 84.44 | -1.33% | | |
| Northeast Breast, B/S | \$/cwt | 93.05 | 90.08 | 3.30% | 111.31 | -16.40% | | |
| Northeast Leg Quarters | \$/cwt | 30.46 | 30.57 | -0.36% | 39.02 | -21.94% | | |
| T Total Turkey Slaughter * | Million Head | 4.301 | 4.507 | -4.57% | 3.971 | 8.31% | 164,575 | -0.5% |
| U Avg. Weight (RTC) | Lbs. | 25.66 | 24.33 | 5.47% | 26.52 | -3.22% | 31.29 | -0.8% |
| R Turkey Production (RTC) | Million Lbs. | 110.4 | 109.7 | 0.65% | 105.3 | 4.82% | 4,143 | -1.1% |
| K National Hen (8-12 lb) | 8-16 Lbs. | 84.82 | 82.00 | 3.44% | 90.00 | -5.76% | | |
| G Corn, Omaha | \$ per Bushel | 3.27 | 3.20 | 2.19% | 3.09 | 5.83% | | |
| R Distillers Grain, Chicago | \$ per Ton | 145.00 | 145.00 | 0.00% | 117.50 | 23.40% | | |
| A Wheat, Kansas City (deliv.) | \$ per Bushel | 5.24 | 5.24 | 0.00% | 3.68 | 42.39% | | |
| I Soybeans, Cntrl IL | \$ per Bushel | 8.12 | 8.08 | 0.50% | 9.67 | -16.03% | | |
| N Soybn Meal 48%, Cntrl IL | \$ per Ton | 322.80 | 318.20 | 1.45% | 323.30 | -0.15% | | |

* Chicken & turkey slaughter. Production, egg sets are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago due to reporting lag.

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