Daily Livestock Report

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Meat protein supply expansion is likely to remain on track through 2018 on robust global demand and ample feed supplies. This to us is the main takeaway from the latest USDA WASDE update. Some items worth noting:

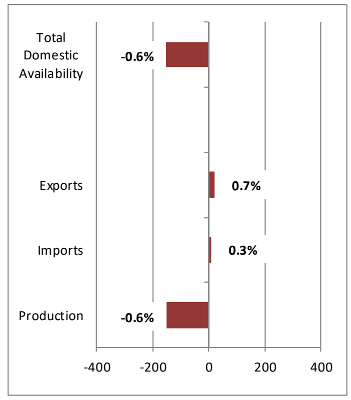
Corn: USDA surprised market participants by estimating this year's corn yield at 175.4 bushels per acre, 3 bushels more than analysts were expecting. If correct, it will be a new all time record yield and the third consecutive year that corn yields have come in above trend. Continued improvements in crop genetics and no major weather events have helped bolster US corn supplies. USDA now expects farmers will carry 2.487 billion bushels into the 2018-19 marketing year. This would be the largest carryover since the late 1980s. The **stocks/use ratio**, a better indicator of pipeline supplies, **is now projected at 17.2%, the highest since 2005-06**. There is plenty of corn on the ground but the farmer may be reluctant, at least in the short term, to sell into this market. For those farmers that grow corn but also raise hogs/cattle, converting into protein remains a profitable alternative. **We would expect more farmer feeding of cattle and a strong incentive to increase pork production in 2018.**

Beef: USDA lowered its estimate for beef production in 2017 by 149 million pounds, in part reflecting the significant decline in cattle weights from a year ago and likely a less aggressive marketing rate for Q4. Beef production for 2018 was revised up by 325 million pounds, possibly a function of larger placements but also expectations for heavier weights in 2018. USDA not projects US beef production in 2018 to be 27.687 billion pounds, 1.22 billion pounds (+4.6%) higher than a year ago. If this forecast is correct, it would be the largest amount of beef ever produced in the US, surpassing the previous record in 2002. The production numbers tell only part of the story, however. What is more important is the availability of beef in the domestic market after we have accounted for population growth. **Per capita consumption in 2018 is currently forecast to be 59.2 pounds per person (retail wt. basis), 3.3% higher than a year ago**. In October, USDA was projecting 2018 per capita consumption to be up 2.1%. The per capita consumption calculations are vulnerable to significant revisions due to shifts in trade flows as well as changes in production. If this latest forecast is correct, it would be **the biggest year/year increase in beef consumption since the mid 1970s**. Despite the big jump in per capita availability in the domestic market fed cattle prices are expected to be down only 3.5% from 2017, a reflection of a more bullish demand assumptions.

Pork: US pork availability for 2017 did not change much. Pork production was lowered by 0.3% but this was offset by lower forecasts for pork exports in Q4. Pork production in 2018 is expected to be 26.941 billion pounds, higher than forecast in October and now 4.6% higher than a year ago. This will also be a new all time record for pork production. Exports remain a key driver for the pork market, representing 21.9% of production. **Per capita consumption in 2018 is now expected to be 52.1 pounds per person (retail wt.), 3.4% higher than a year ago.** In 2016 per capita pork consumption increased by 0.6% and in 2017 consumption is projected to be up by just 0.1%. 2018 hog prices forecast down 8.2% from 2017 levels.

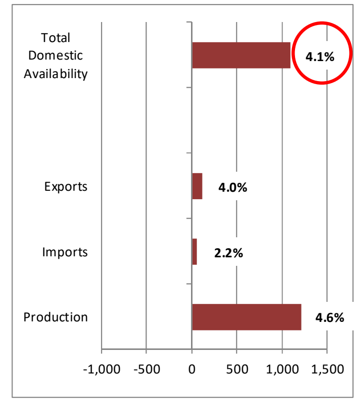
BEEF: Nov. Revisions to 2017 Estimates

Million lbs. Source: USDA WASDE



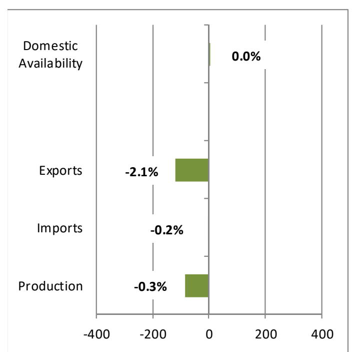
BEEF: Y/Y % Ch. (2018F vs. 2017F)

Million lbs. Source: USDA WASDE



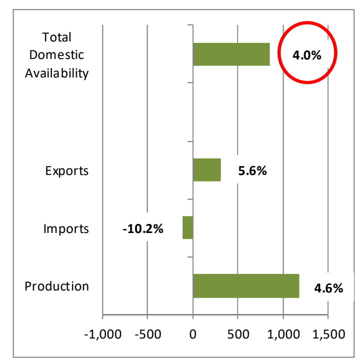
PORK: Nov. Revisions to 2017 Estimates

Million lbs. Source: USDA WASDE



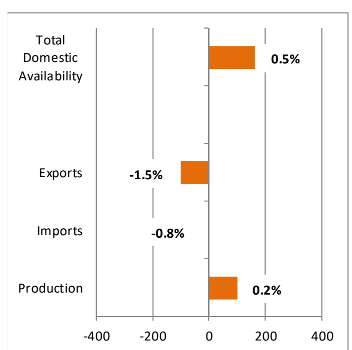
PORK: Y/Y % Ch. (2018F vs. 2017F)

Million lbs. Source: USDA WASDE



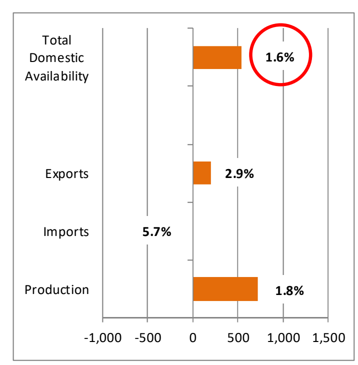
BROILERS: Nov. Revisions to 2017 Est.

Million lbs. Source: USDA WASDE



BROILER: Y/Y % Ch. (2018F vs. 2017F)

Million lbs. Source: USDA WASDE



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