

USDA updated its projections for meat supply/demand in 2019 as well as its forecasts for all of 2020. As we have done in the past, we have included a comparison of what those forecasts looked like a year ago and how they match with what we are seeing today. The only reason for doing this is so readers get a sense that whatever the forecasts are today things change. A number of factors impact the flow of product in the market and external demand is vulnerable to things like trade policy or disease. A couple of highlights from the latest data:

- USDA is currently projecting beef production for 2019 to be 27.107 billion pounds, only 0.6% higher than a year ago. This is quite different than the expectations USDA had for 2019 last year, when it was forecasting beef production for 2019 to be about 766 million pounds higher than now. **The smaller than expected growth in beef supplies explains why beef prices have held up so well this year.** A number of factors have negatively impacted the flow of beef, with weather, lower weights, more heifers in the mix and lower overall slaughter all contributing to the slowdown. Both imports and export projections in the November 2019 report are lower than what was expected as well, which effectively offset the impact. At this time USDA thinks imports for 2019 will be 2.960 billion pounds, slightly less than the supply of beef imported in 2018. While imports from Canada and Mexico continue to increase, there has been a significant slowdown in imports from New Zealand. USDA now expects beef imports in 2020 to be 2.870 billion pounds, about 90 million pounds or 3% lower than in 2019. And there is more downside risk to this forecast, we think. It appears New Zealand supplies may continue to decline now that China has become the top beef customer of that country. China demand will likely continue to increase next year. Additionally, Australia may also ship less beef here as a result of a cyclical downturn in their production as well as very strong China demand. There are also questions as to whether Canada will be able to sustain the volumes they exported in 2019 given its resumption of exports to China. USDA is bullish regarding US exports next year, forecasting a positive net beef trade of 435 million pounds. This means much of the increase in US beef production next year will go into export channels, keeping per capita availability in 2020 near this year's levels. But, if global beef demand continues to expand, largely driven by China, market participants may be forced to pay up in order to secure the same supply of beef. The two key wild cards for beef next year: will US production recover despite a flat calf crop this year; will the gap between imports and exports get even wider as China demand continues to grow.

- **USDA's forecasts of pork production for 2019 were pretty much on the mark last year.** A year later, the projection for 2019 is just 95 million pounds (0.3%) short of what was presented last year. Pork exports have increased at a faster pace than USDA expected a year ago, resulting in a lower than expected per capita number but yet a per capita number that

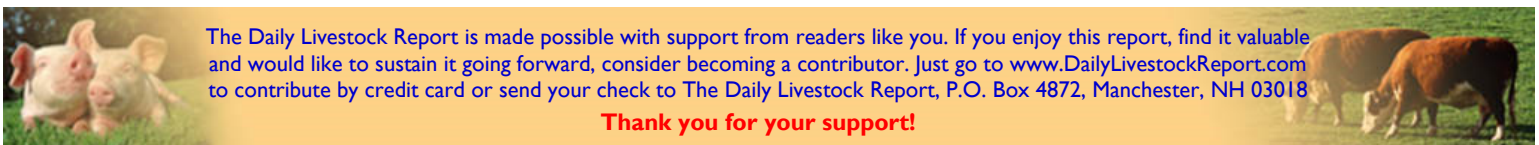
USDA Supply/Demand Projections in Nov. 2018 & Nov. 2019

Source: USDA - WASDE Report

Beef		Prod.	Imports	Exports	Dom. Cons.
		--- million pounds ---			lb./pp
2018	Actual	26,938	2,998	3,161	57.2
2019	Nov 2018 Fcast	27,873	3,060	3,265	58.5
	Nov 2019 Fcast	27,107	2,960	3,104	57.3
	variance	(766)	(100)	(161)	(1.2)
	variance	-2.7%	-3.3%	-4.9%	-2.1%
2020	Nov 2019 Fcast	27,616	2,870	3,305	57.7
	% ch. vs. 2019	1.9%	-3.0%	6.5%	0.7%

Pork		Prod.	Imports	Exports	Dom. Cons.
		--- million pounds ---			lb./pp
2018	Actual	26,330	1,042	5,876	50.9
2019	Nov 2018 Fcast	27,729	1,060	6,200	52.8
	Nov 2019 Fcast	27,634	958	6,496	52.1
	variance	(95)	(102)	296	(0.7)
	variance	-0.3%	-9.6%	4.8%	-1.3%
2020	Nov 2019 Fcast	28,694	915	7,300	52.2
	% ch. vs. 2019	3.8%	-4.5%	12.4%	0.2%

is 2% higher than in 2018. What participants should ponder is that pork prices (cutout) in 2019 is on track to be 3% higher than last year and hog prices 5% higher despite the increase in per capita availability. For next year USDA thinks per capita availability in the US will be unchanged even as overall production is forecast to increase by 3.8%. A dramatic decline in Asian pork supplies is expected to bolster US pork exports by +800 million pounds. Remember that USDA always forecasts based on policy currently in place, in other words assumes tariffs will persist. This is important to remember considering premiums currently built into futures and the supply shortfall that continues to get even bigger in China and surrounding countries.



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PRODUCTION & WKLY AVG. PRICE SUMMARY

Week Ending **11/9/2019**

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
		9-Nov-19	2-Nov-19		10-Nov-18			
Total Beef, Pork, Chicken, Turkey	mil lbs., cwe	2,049	2,059	-0.49%	1,990	2.97%	85,558	2.5%
C FI Slaughter	Thou. Head	651	658	-1.06%	649	0.34%	28,456	1.1%
C FI Cow Slaughter **	Thou. Head	132	130	1.85%	127	3.95%	5,235	2.9%
T Avg. Dressed Weight	Lbs.	824	822	0.24%	830	-0.72%	808	-0.8%
T Beef Production	Million Lbs.	535.3	540.0	-0.87%	537.0	-0.32%	22,990	0.2%
L Live Fed Steer Price	\$ per cwt	114.16	113.03	1.00%	113.70	0.40%		
E Dressed Fed Steer Price	\$ per cwt	181.41	179.39	1.13%	179.16	1.26%		
Oklahoma Steer (600-700 lbs)	\$ per cwt	151.52	145.94	3.82%	150.60	0.61%		
& Choice Beef Cutout	\$ per cwt	237.08	230.78	2.73%	217.37	9.07%		
Hide/Offal	\$ per cwt, live wt	8.88	8.84	0.45%	9.12	-2.63%		
B Rib Primal, Choice	\$ per cwt	419.92	419.18	0.18%	405.94	3.44%		
E Round Primal, Choice	\$ per cwt	189.89	184.07	3.16%	175.77	8.03%		
E Chuck Primal, Choice	\$ per cwt	191.57	181.64	5.47%	173.10	10.67%		
F Trimmings, 50%	\$ per cwt	87.89	75.59	16.27%	69.13	27.14%		
Trimmings, 90%	\$ per cwt	231.80	227.26	2.00%	189.45	22.35%		
H FI Slaughter	Thou. Head	2,693	2,669	0.90%	2,591	3.95%	110,004	3.7%
FI Sow Slaughter **	Thou. Head	60.6	59.1	2.69%	62.2	-2.50%	2,466	-0.8%
H Avg. Dressed Weight	Lbs.	212.0	212.0	0.00%	212.0	0.00%	212	0.5%
O Pork Production	Million Lbs.	571.2	564.5	1.19%	550.3	3.80%	23,371	4.2%
G Iowa-S. Minn. Base	Wtd. Avg.	46.14	50.17	-8.03%	55.24	-16.47%		
S Natl. Base Carcass Price	Wtd. Avg.	62.41	63.05	-1.02%	61.23	1.93%		
Natl. Net Carcass Price	Wtd. Avg.	64.16	64.99	-1.28%	63.29	1.37%		
Natl. Early Wean Feeder	Wtd. Avg.	35.19	36.70	-4.11%	42.26	-16.73%		
Pork Cutout	205 Lbs.	80.50	75.98	5.95%	72.71	10.71%		
Ham Primal	\$ per cwt	79.03	68.21	15.86%	50.49	56.53%		
Loin Primal	\$ per cwt	69.79	68.57	1.78%	69.44	0.50%		
Belly Primal	\$ per cwt	114.44	109.80	4.23%	122.74	-6.76%		
Trimmings, 72%, Fresh	\$ per cwt	47.74	45.38	5.20%	45.83	4.17%		
Hog By-Product Value	\$ per cwt, live wt	3.59	3.59	0.00%	3.63	-1.10%		
C Young Chicken Slaughter *	Million Head	173.0	172.8	0.13%	164.5	5.18%	7,305	2.6%
H Avg. Weight (RTC)	Lbs.	4.82	4.89	-1.55%	4.76	1.28%	6.21	0.4%
I Young Chicken Production (RTC)	Million Lbs.	833.5	845.5	-1.42%	782.4	6.53%	34,500	3.0%
C Eggs Set (19-state)	Million	224.2	226.8	-1.17%	217.5	3.08%	10,128	1.8%
K Chicks Placed (19-state)	Million Head	177.8	176.2	0.91%	174.1	2.16%	8,177	1.7%
E National Composite Whole Bird	Composite	78.50	78.92	-0.53%	85.74	-8.44%		
Northeast Breast, B/S	\$/cwt	86.84	86.96	-0.14%	86.59	0.29%		
Northeast Leg Quarters	\$/cwt	32.15	33.92	-5.22%	27.66	16.23%		
T Total Turkey Slaughter *	Million Head	5.182	4.939	4.92%	5.182	0.00%	180.809	-1.8%
U Avg. Weight (RTC)	Lbs.	20.99	22.02	-4.69%	23.16	-9.39%	32.39	4.0%
R Turkey Production (RTC)	Million Lbs.	108.8	108.8	0.00%	120.0	-9.39%	4,697	2.0%
K National Hen (8-12 lb)	8-16 Lbs.	98.80	98.00	0.82%	80.45	22.81%		
G Corn, Omaha	\$ per Bushel	3.56	3.76	-5.32%	3.53	0.85%		
R Soybeans, Cntrl IL	\$ per Bushel	9.27	9.09	1.98%	8.42	10.10%		
A Soybn Meal 48%, Cntrl IL	\$ per Bushel	307.10	305.90	0.39%	309.10	-0.65%		
I Distillers Grain, IL	\$ per Bushel	145.50	145.00	0.34%	145.00	0.34%		

* 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.

