

Livestock and Grains Situation and Outlook

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Wisconsin Ag Outlook Forum

Brenda L. Boetel
UW-River Falls

Extension Commodity Marketing Specialist

Key Market Factors

- 2018 crop supplies
- Large meat supplies
- World and US economics
 - Exchange rates
 - Monetary Policy
 - Meat demand
- Exports and trade policy
- New Congress
- Cattle Herd Expansion
- African Swine Fever

Government Shutdown

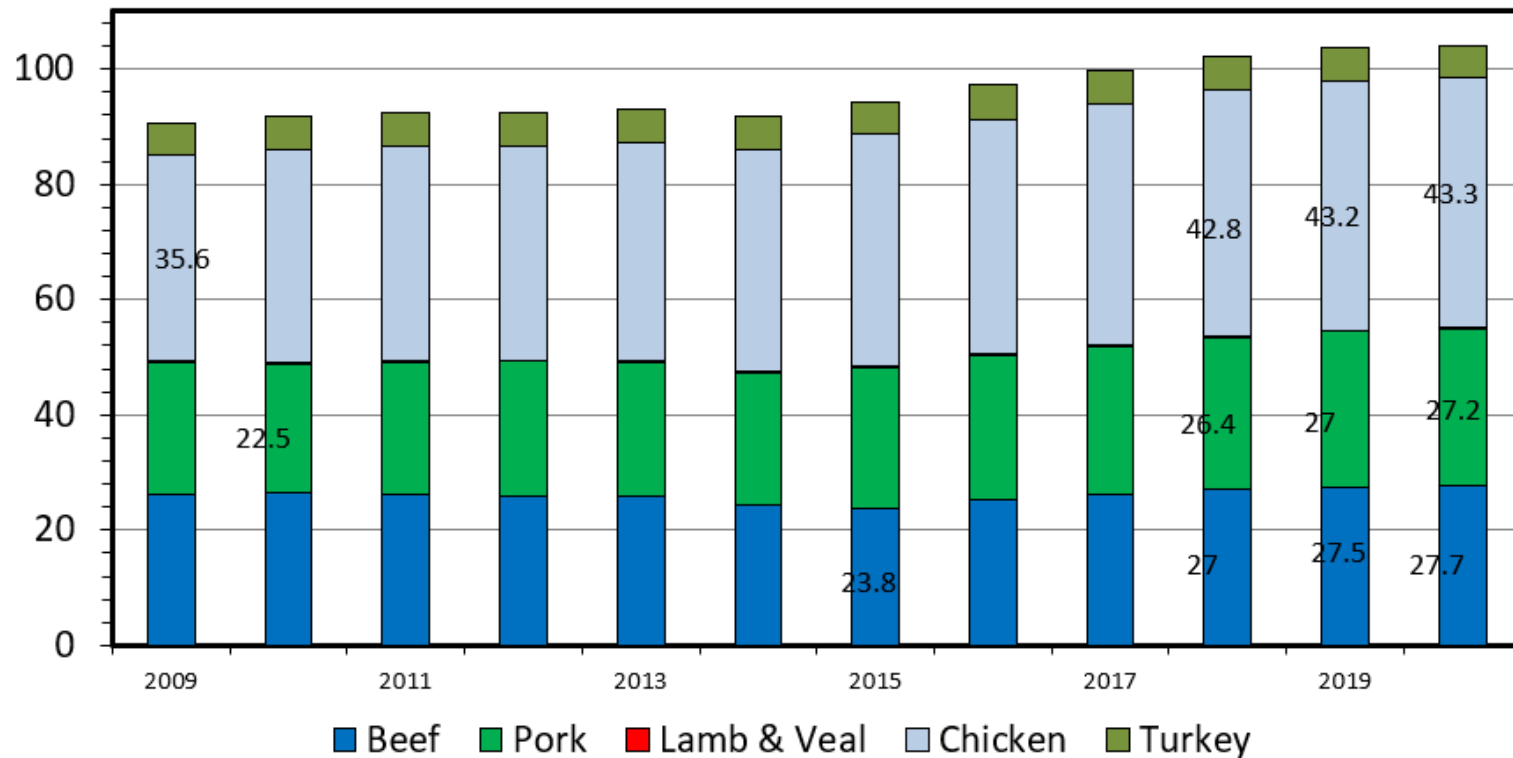
- Many USDA publications halted
 - January 11, 2019 Reports
 - Final size of 2018 corn and soybean crop
 - Winter Wheat Seedlings
 - December 1 corn stocks estimate
 - January 24 & 25, 2019
 - Livestock Slaughter
 - Cattle on Feed
 - Export Data

Livestock

COMMERCIAL MEAT & POULTRY PRODUCTION

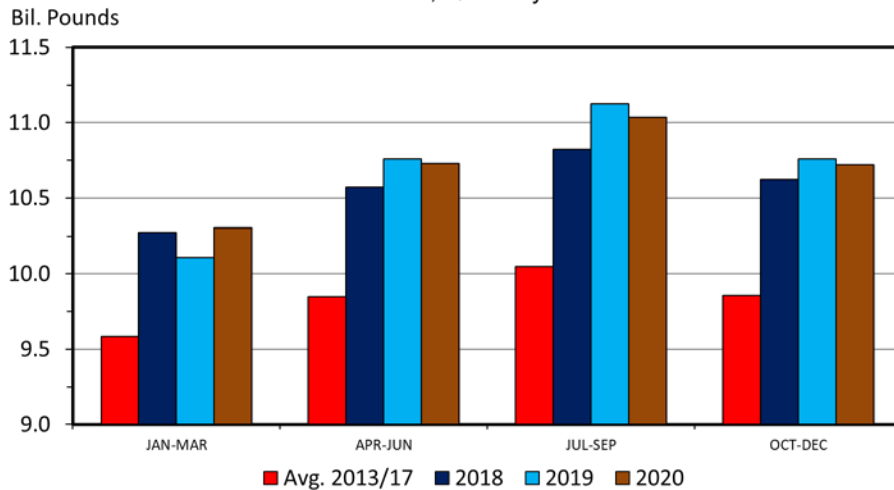
By Type of Meat, Annual

Bil. Pounds



- ▶ Meat production was up 2.6% in 2018 and will be up 1.3% in 2019
 - ▶ Broiler production up 2.6% (+1% in 2019)
 - ▶ Turkey production down 0.9% (-5% in 2019)
 - ▶ Pork production up 3.1% (+2.3% in 2019)
 - ▶ Beef production up 2.8% (+1.9% in 2019)

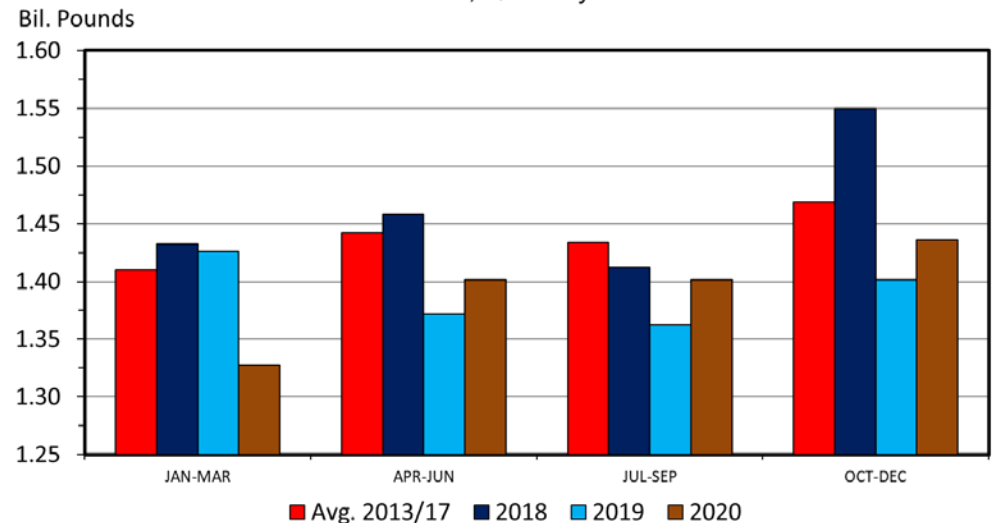
RTC BROILER PRODUCTION US, Quarterly



- Oct 18 broiler production 3.9B lbs (0.4%+)
- Oct first month since Jan 18 with yr/yr decrease
- 2019 projections lowered due to decreased weights
- Exports highest since Oct 2013

- Turkey production down on daily basis by 1% compared with 2017
- 2018 production up 2% over 2017
- 2019 will be up 0.3% over 2018
- Exports were 3% higher yr/yr in Oct

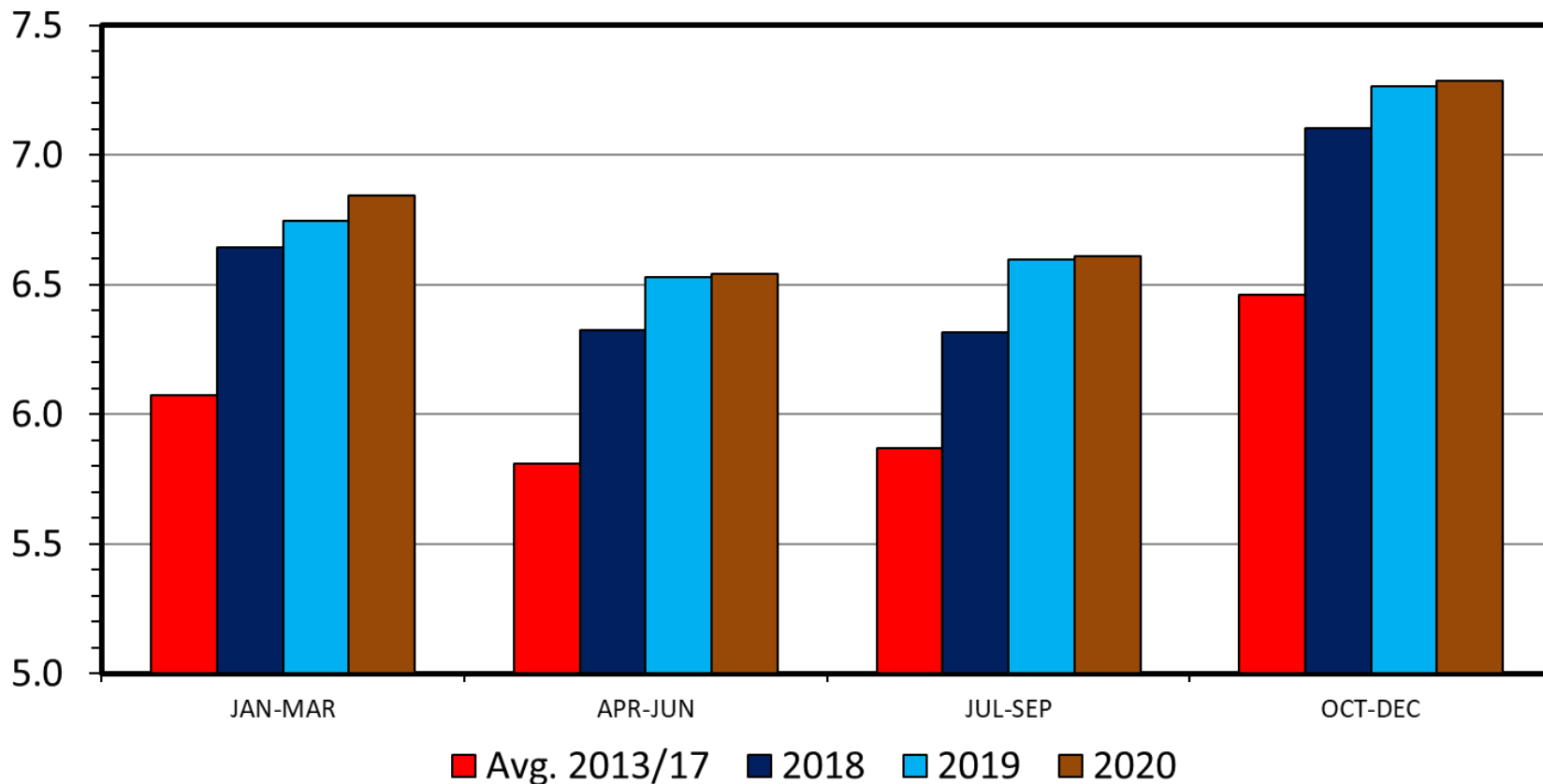
RTC TURKEY PRODUCTION US, Quarterly



COMMERCIAL PORK PRODUCTION

US, Quarterly

Bil. Pounds

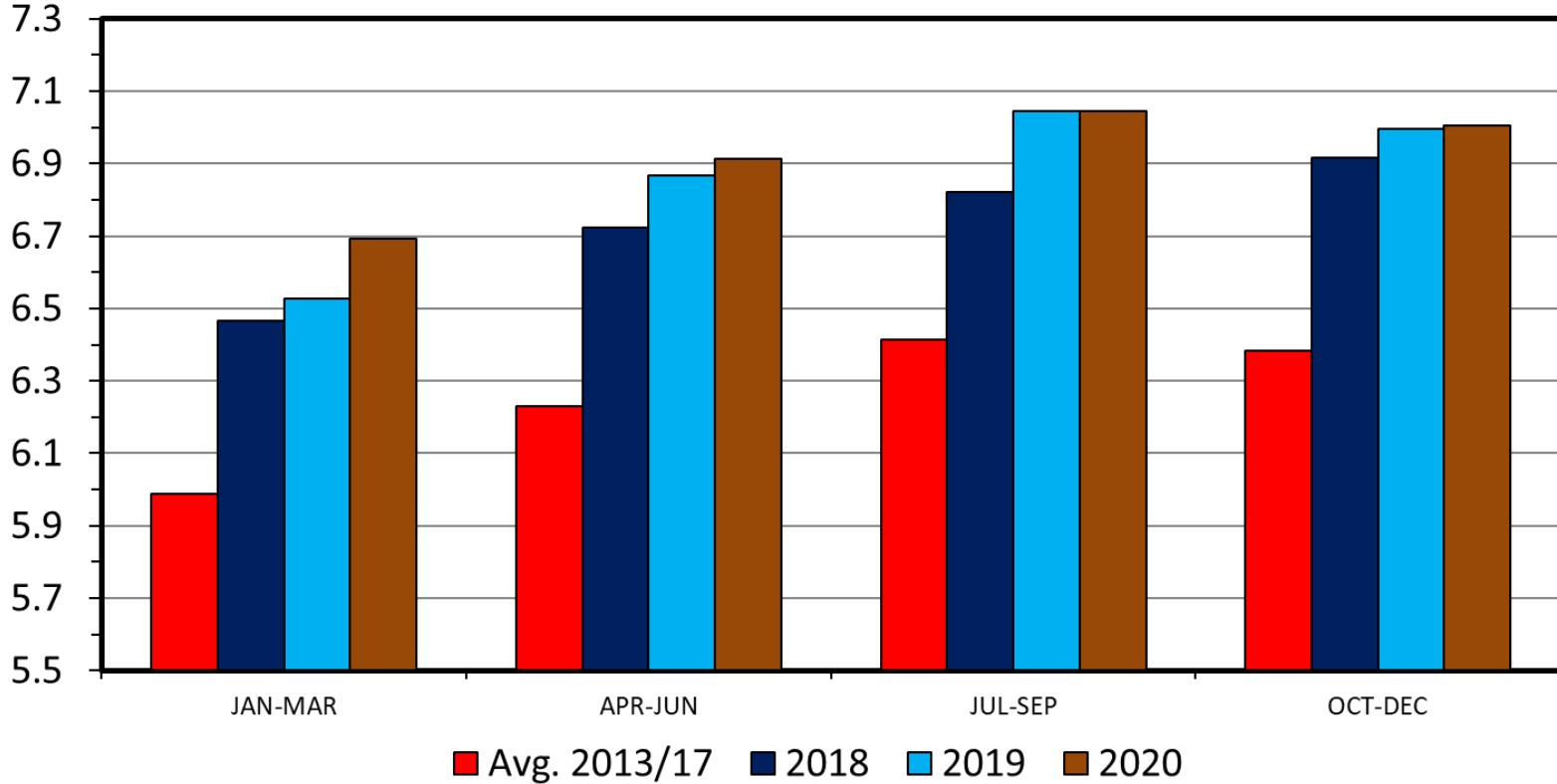


- 4th year of record production – slightly greater than 7 B lbs.
- Adjusting to expanded processing capacity
- Export between 22 – 25% of production
 - Mexico (-3.9% mo/mo) and China/Hong Kong (-44.4% mo/mo) are lower yr/yr
 - Tariffs make US pork imported by China more expensive than other countries
- Mo/Mo 2018 exports up 1.5%

COMMERCIAL BEEF PRODUCTION

US, Quarterly

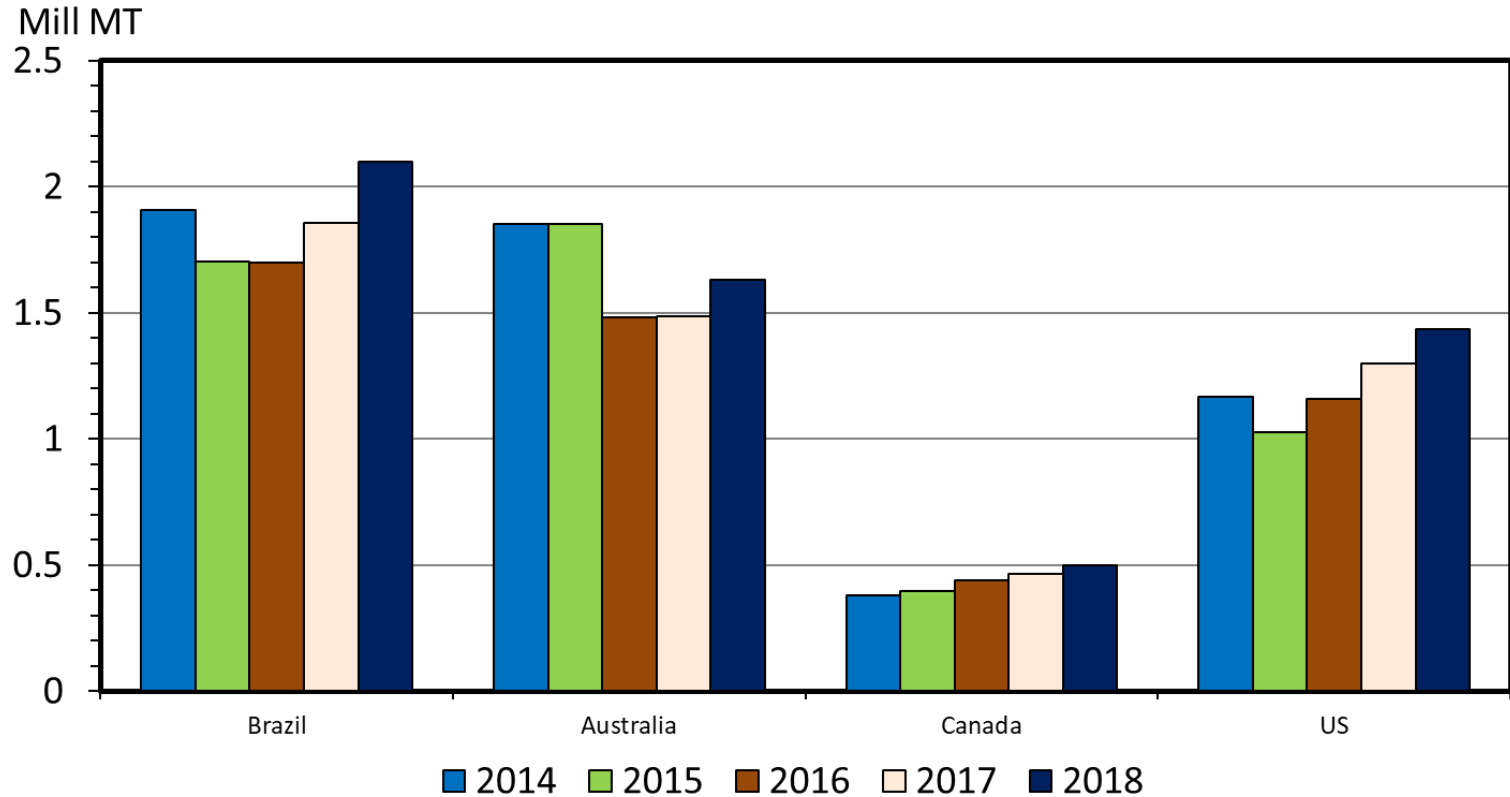
Bil. Pounds



- Production up 13% over 2015 – likely increase another 2% in 2019
- Beef exports up 11% in 2018 – 3rd year with double digit growth
- 2019 likely see a 4% increase in exports

BEEF AND VEAL EXPORTS

Carcass Weight, Annual



- Beef
 - Australia will likely decrease exports about 7% in 2019, Brazil will increase about 5%, US exports will increase about 3%
- Pork
 - Increase exports by 4%
- Poultry
 - Increase exports by 3%

Where are we headed?

- Cattle price outlook should be viewed as having potential to be much different than expectations shown here.
- Feeding industry will need to remain current, carcass weights will decrease in first quarter and then should increase for remainder of year
 - Loss in currentness will push feeder and calf prices lower
- Expansion markets favors industry participants closer to the end user
- Retail beef price has not fallen as much as beef production
- Growing beef supplies but limited packer capacity means increased packer bargaining power

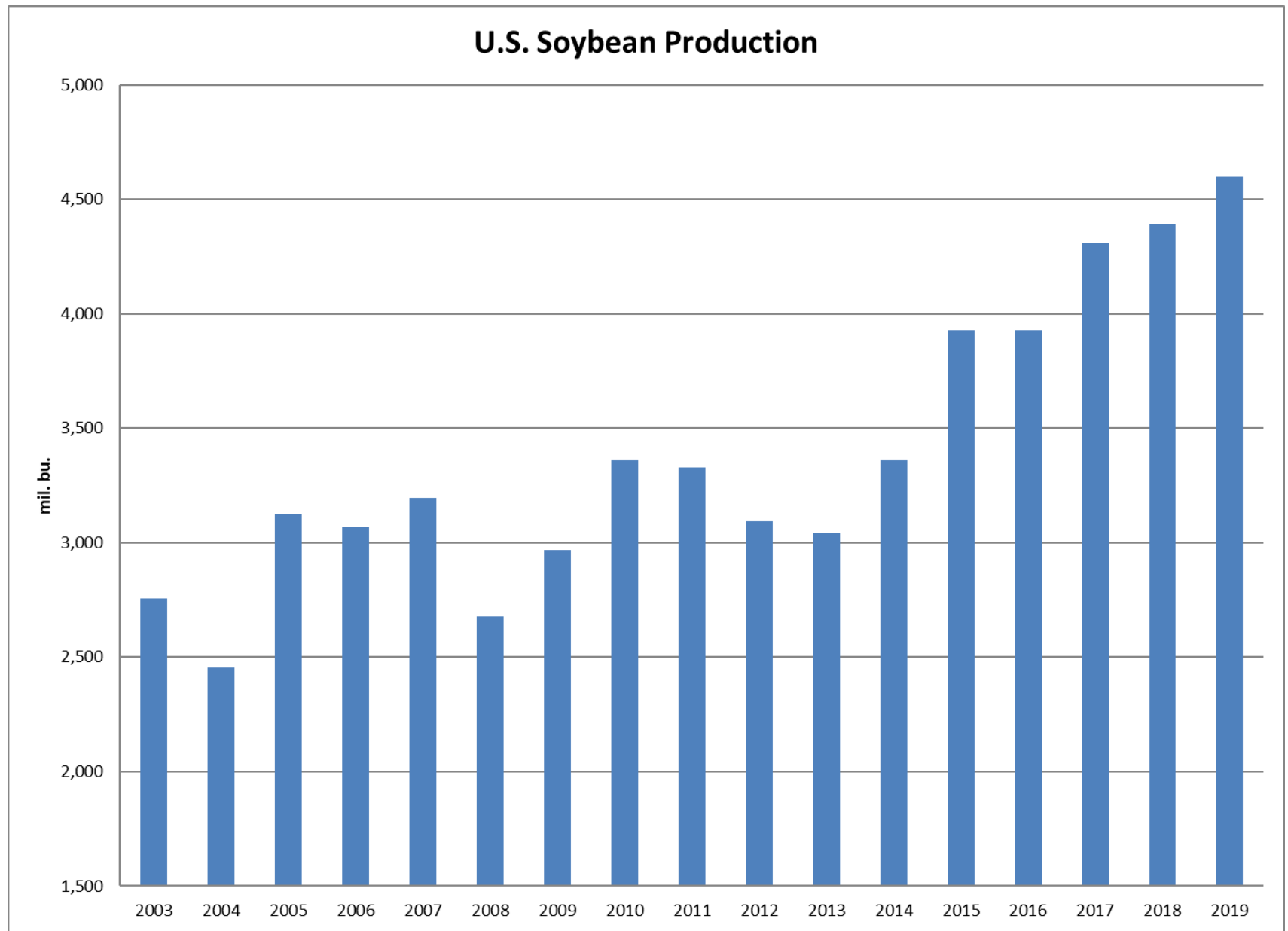
Where are we headed?

- Feeders
 - Record profitability in 2017
 - Margins shrank in 2018 and were negative for the last 3 quarters
 - Margins will improve in 2019 and be positive in the latter quarters
- Cow/calf and feeders
 - Profitability will shrink
 - Continued volatility
 - 2019 will see cattle herd stabilize
 - Profitability will decrease in 2019

2019 Prices

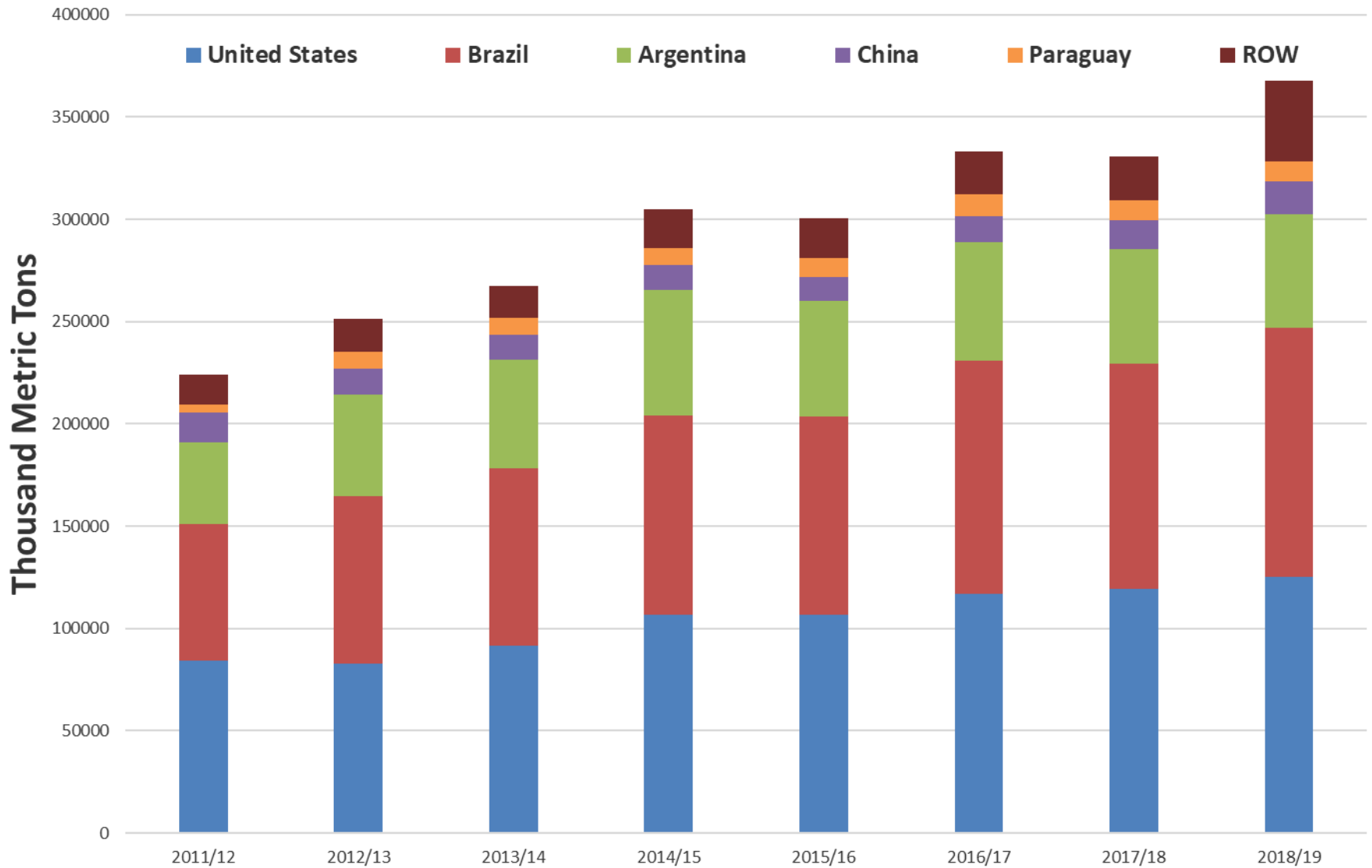
	Prod.	Exports	Price Direction		
Broilers	Up	Up	Down		
Turkey	Down				
Pork	Up	Up	Hog prices Q1 - down 7.1% Q2 - up 2.5% Q3 – up 3.3% Q4 - down 1.1%		
Beef	Up	Up	Finished cattle Q1 - down 2.9% Q2 – up 1% Q3 – up 0.7% Q4 - up 0.5%	Yearlings Q1 – down 2.2% Q2 – stable Q3 – down 5.1% Q4 - stable	Calves Q1 – down 5.6% Q2 – down 1.3% Q3 - down 0.7% Q4 – down 0.2%

Soybeans

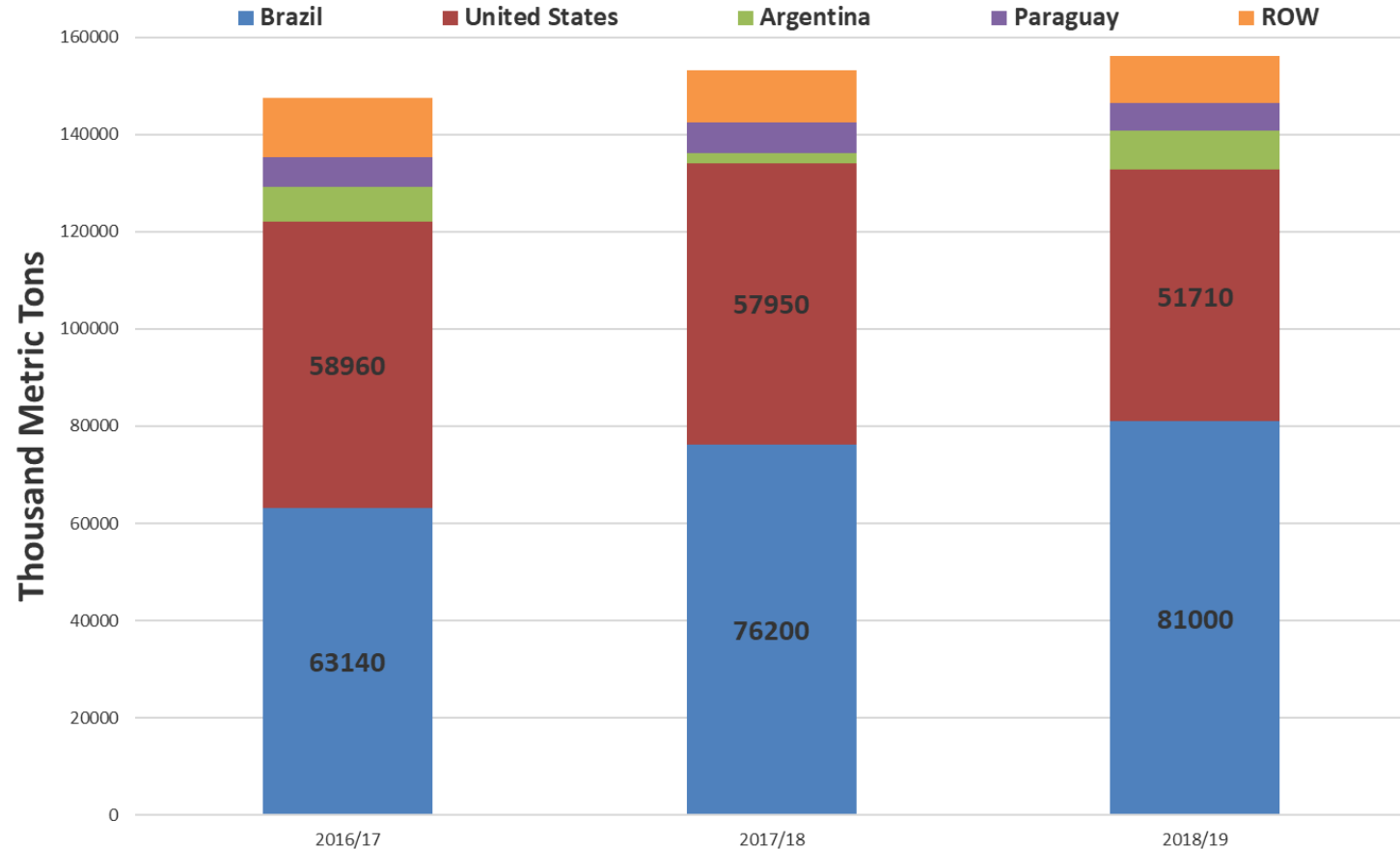


2019 will have 208 MB increase (a 4.7% increase from 2018)

World Soybean Production



World Soybean Exports



- 60% of Soybeans went to China in MY17
- November usually sees US dominate soybean exports to China
 - 0 exports in November 2018 – 4.7 MMY in November 2017
 - Brazil exports to China increased 84% in November
 - Brazil exports stayed strong in December

USDA DECEMBER SOYBEAN WASDE

U.S. Soybean Balance Sheet (Year Beg. Sept. 1)

	2016/17	2017/18	2018/19 Dec	%Change vs 17/18	My Forecast 2018/19
Acres Planted	83.4	90.1	89.1	-1.1%	89.1
Acres Harvested	82.7	89.5	88.3	-1.3%	88.2
Yield	52	49.3	52.1	5.7%	51.8
Supply					
Beg. Stocks	197	302	438	45.0%	438
Production	4296	4411	4600	4.3%	4569
Imports	22	22	25	13.6%	25
Total Supply	4515	4734	5063	6.9%	5032
Demand					
Crush	1901	2055	2080	1.2%	2080
Exports	2166	2129	1900	-10.8%	1800
F/S/R	146	112	128	14.3%	128
Total Demand	4214	4296	4107	-4.4%	4008
Ending Stocks	302	438	955	118.0%	1024
Stocks to Use Ratio	7.17	13.20	23.25	76.2%	25.5
Avg. Farm Price	9.47	9.3	8.6		
Soybean Oil Price	32.48	31.5	30		
Soybean Meal Price	316.88	350	310		

Bullish Factors

- Brazilian production was cut – may see more
 - Hot dry conditions and early beans yields are disappointing
 - 3 MMT decrease to 116 MMT
- Argentina crop is lower too
 - 1 MMT decrease to 56 MMT
- Most of the bearish news is incorporated into price
- Trade war nearing an end

Bearish Factors

- Inventories are so high that it limits any upward momentum
 - 960 million bushel carryover
- Likely see continued large soybean acres in 2019

Where will soybeans go in 2019?

- Fundamentals are historically bearish
 - But this is already built into the price
- Surprises will be on the bullish side
 - Trade war ending??
- Will have less acres planted in 2019

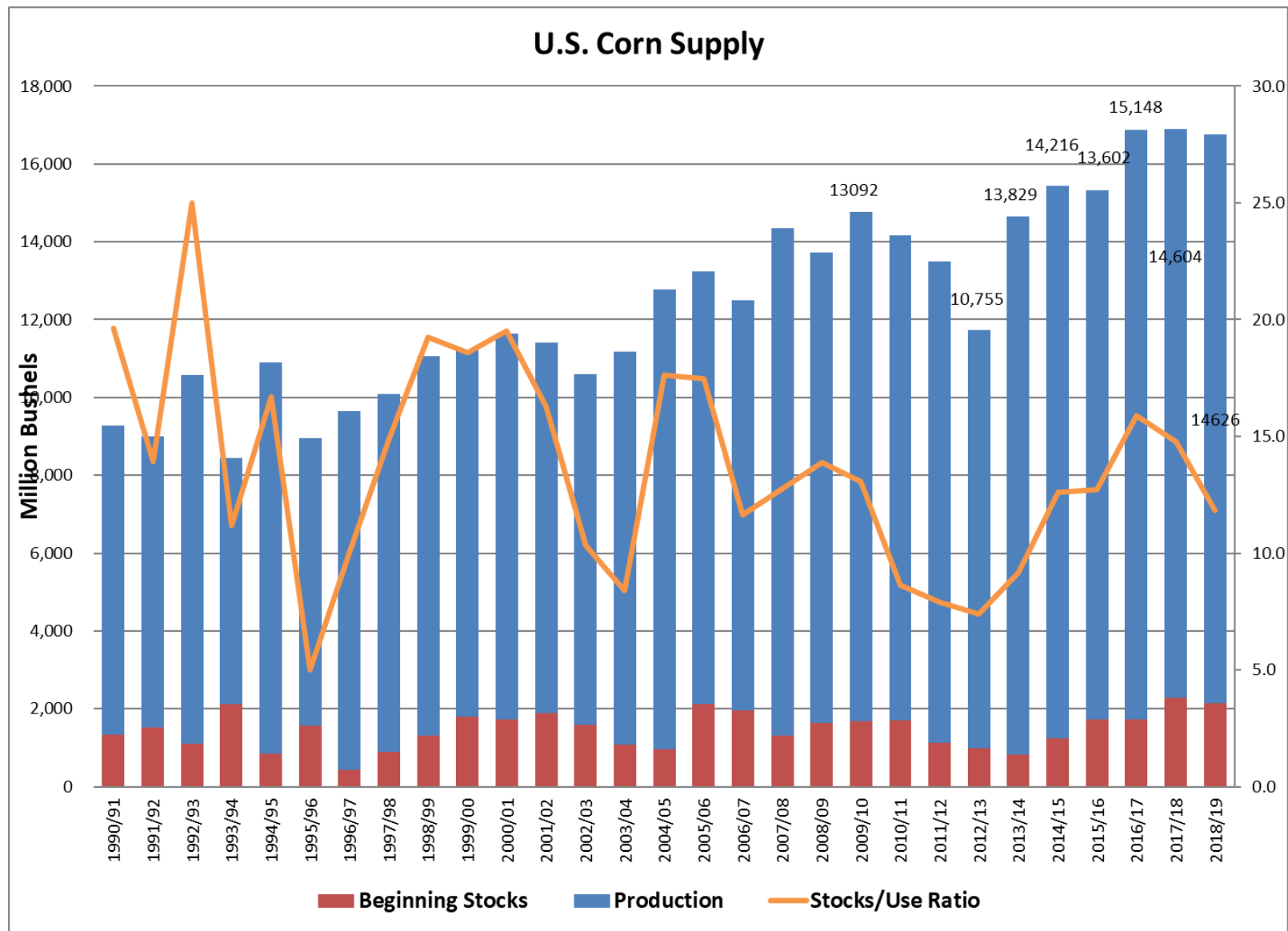
Where will soybeans go in 2018/19?

- If have 83 Million acres planted (a decrease of 6.1 million acres)
 - Yield of 50 bu/acre
 - Production would be 4.1 billion bushels
 - Increase exports to 1.98 BB
 - S/U would be 21% - carryover of 904 MB
 - Cash harvest price could be as high as \$8.70

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 - Increase exports to 1.98 BB
 - S/U would be 21% - carryover of 904 MB
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- If have 85 Million acres planted (a decrease of 4.1 million acres)
 - Yield of 50 bu/acre
 - Production would be 4.2 billion bushels
 - Increase exports to 1.98 BB
 - S/U would be 24% - carryover of 1 BB
 - Cash harvest price could be as high as \$7.70

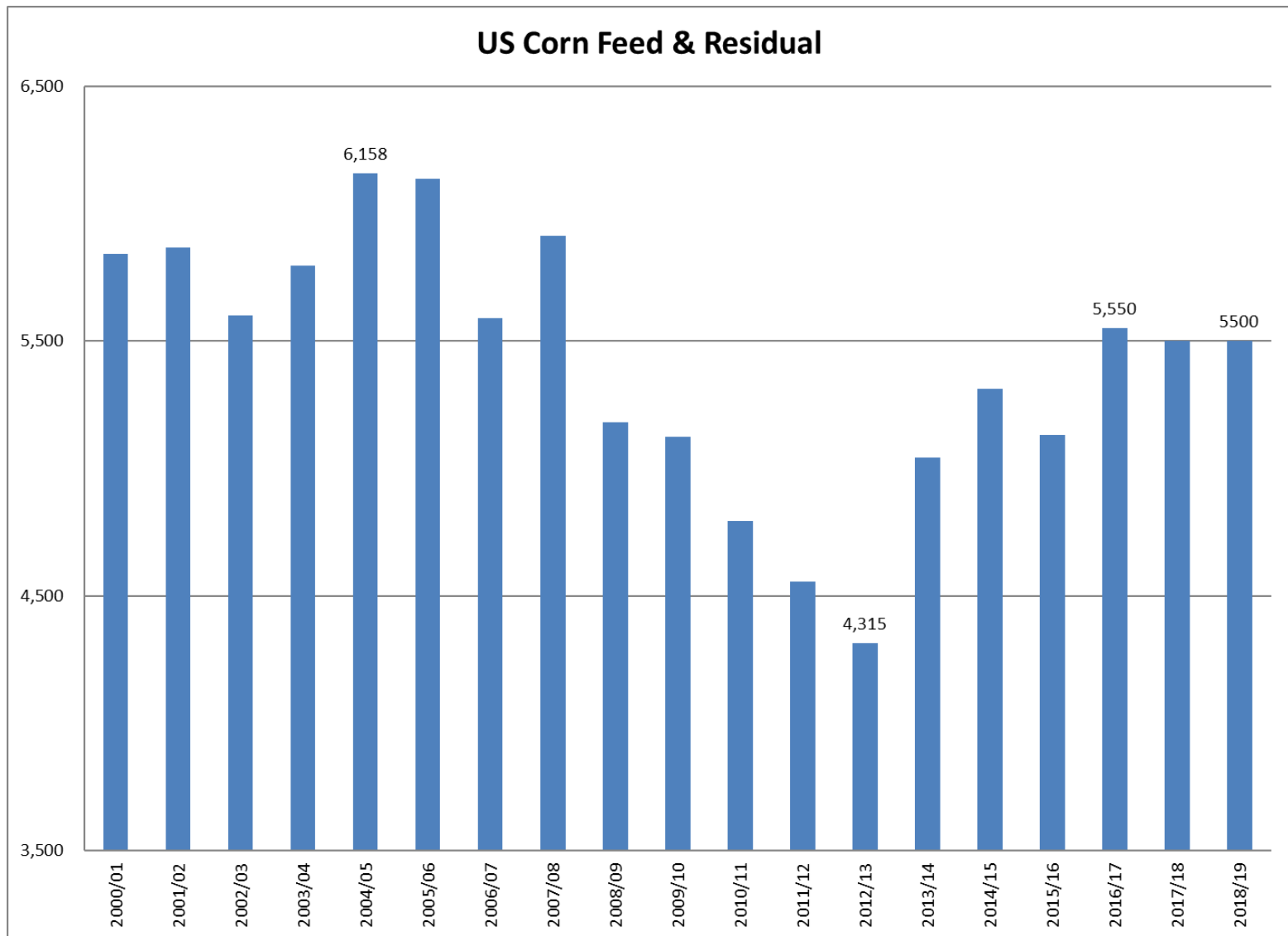
Corn



- 2019 MY production will have 14626 MB (a 1.5% increase from MY18)
- Stock/Use between 11.8% - down from high of 15.9% in MY17

Corn December WASDE

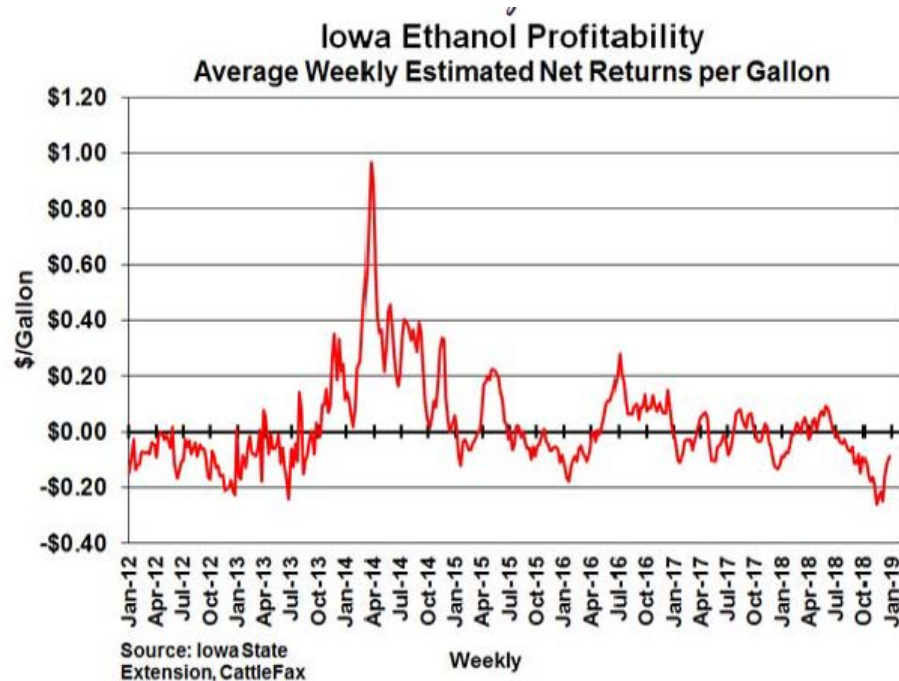
		% chng vs				
		2016/17	2017/18	2018/19	17/18	My Forecast
		Dec				
		2018/19				
Acres Planted	Mil. A	94	90.2	89.1	-1.22%	90.2
Acres	Mil. A	86.7	82.7	81.8	-1.09%	81.7
Yield	Bu/A	174.6	176.6	178.9	1.30%	177.2
Stocks	Mil. Bu.	1,737	2293	2140	-6.67%	2140
Production	Mil. Bu.	15,148	14604	14626	0.15%	14477
Imports	Mil. Bu.	57	36	45	25.00%	45
Total Supply	Mil. Bu.	16,942	16934	16811	-0.73%	16662
Residual	Mil. Bu.	5,472	5298	5500	3.81%	5525
Fuel	Mil. Bu.	5,432	5605	5600	-0.09%	5550
Exports	Mil. Bu.	2,293	2438	2450	0.49%	2450
Total Useage	Mil. Bu.	14,649	14793	15030	1.60%	15005
Carryover	Mil. Bu.	2295	2140	1781	-16.78%	1657
Avg. Farm Price		3.36	3.36	3.6		
Stocks/Use		15.67	14.47	11.85		11.0



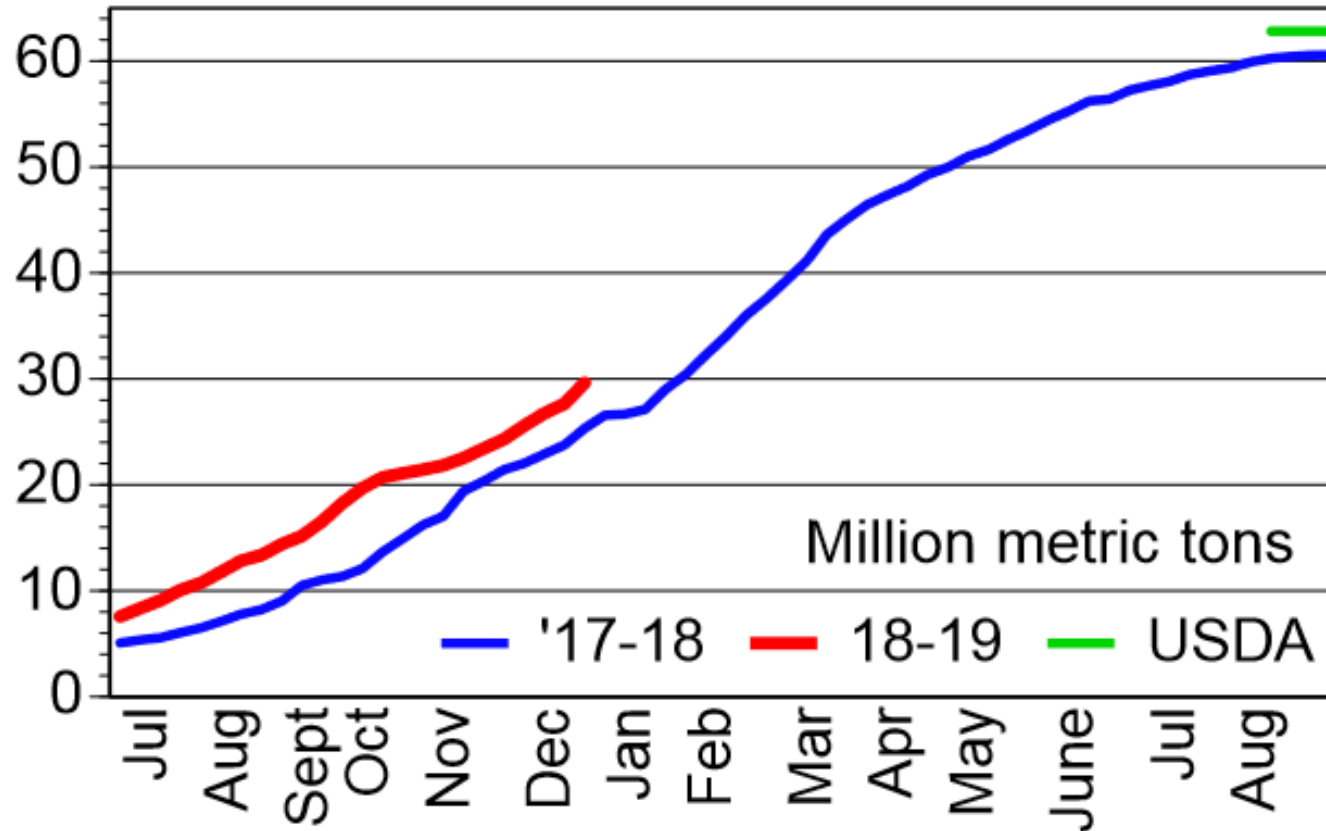
- Jan 11 report would give indication of feed and residual usage for Q1
- Stocks hard to predict w/o final production and Q1 consumption
- Likely see an increase in feed and residual usage

Ethanol Production

- Corn used for ethanol is lower
- Renewable Fuel Standard waivers allowed in 2018
 - RFS requirements would severely harm the economy of a state or region in the US
- Negative margins have led to temporary shut-downs



Total Corn Export Commitments



- No export reported since December

Bullish Factors

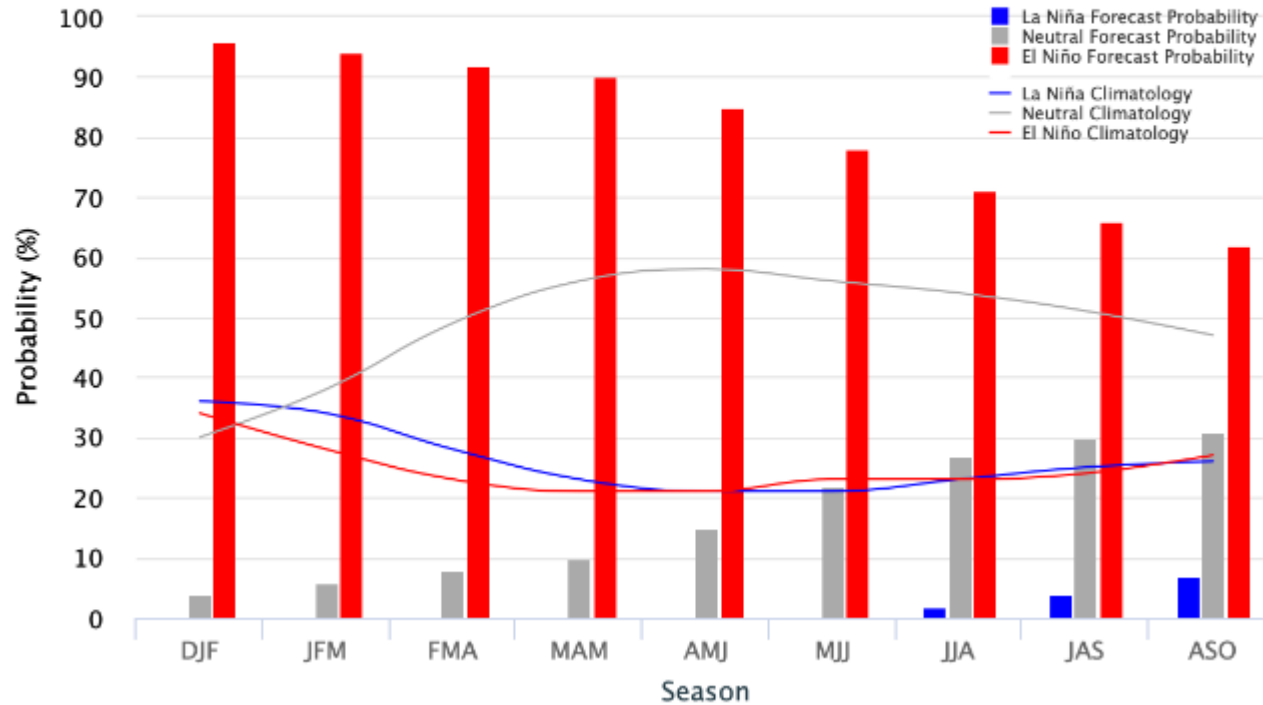
- Seasonality
- Improved trade with China will increase soybean acres
- Likely see a yr/yr decrease in corn stocks
- Strong quarterly exports

Bearish Factors

- Negative ethanol margins and shuttered operations

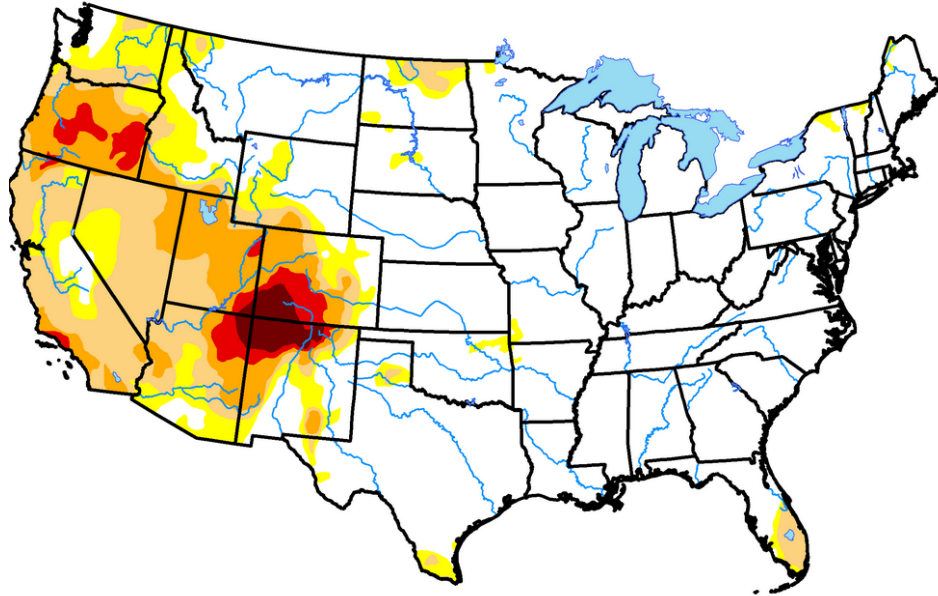
Mid-December 2018 IRI/CPC Model-Based Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly
Neutral ENSO: -0.5 °C to 0.5 °C

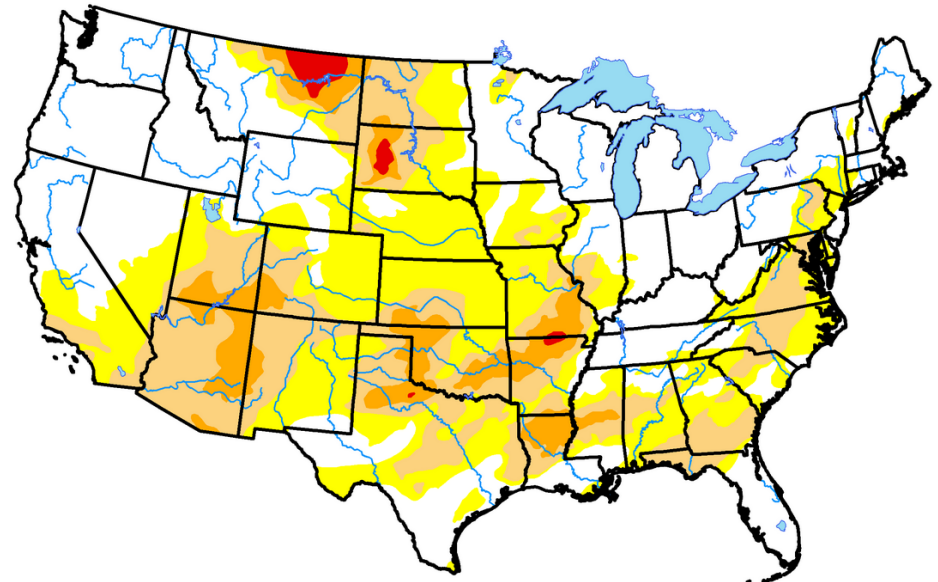


- Neutral conditions but with an El Nino watch are expected to continue (65-75% chance) in Northern Hemisphere through summer 2019.
- El Nino winter means milder with less snow for our region and cooler and wetter summer

Jan 1 2019

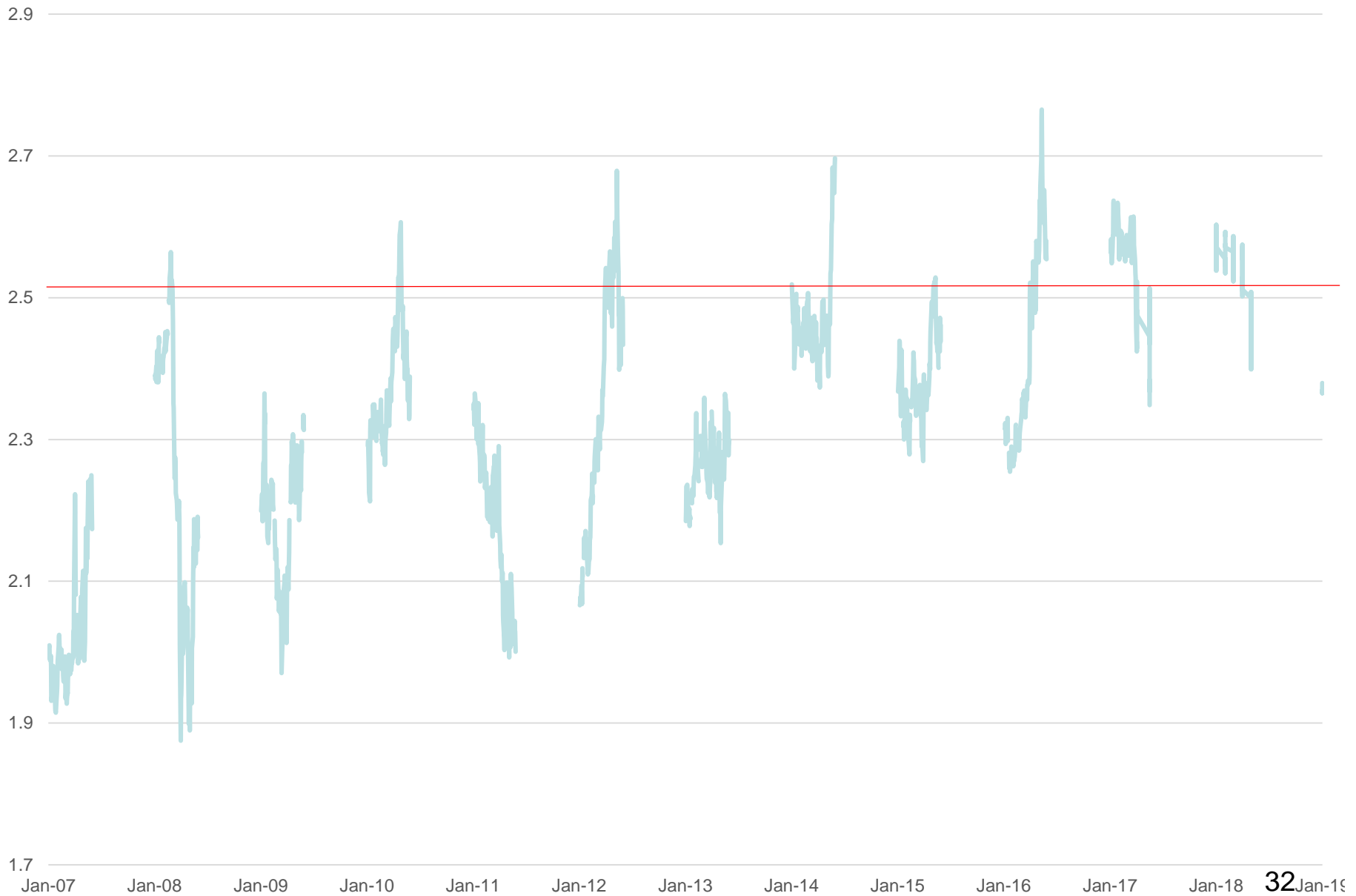


Jan 2 2018



- Least amount of drought in very long time

Soybean/Corn Ratio



Where will corn go in 2018/2019?

- Likely trade up until mid-May
- Dry weather in Southern Plains depressing winter wheat seedings
- Limited upside potential for price
 - To make a move up need bullish news, but most of bearish news already incorporated
- In spring dependent on acreage and mother nature
- Likely see an increase in acreage

Where will corn go in 2019?

- Yield of 176 bu/acre
- Demand of 15 BB
 - If have 89 Million acres planted
 - S/U would be 8.1%
 - Cash **harvest** price could be as high as \$4.10
 - If have 92 Million acres planted
 - S/U would be 11.1%
 - Cash **harvest** price could be as low as \$3.40

Watch List for 2019

- Trade
 - How long with trade war with China last?
- Energy Policy
 - RFS waiver allowance
- Consolidation
 - Farms to coops

Watch List for 2019

- Trade
 - Need for bilateral agreement with Japan
 - How long with trade war with China last?
- Economy
 - Recession?
- Lab-created meat
 - Regulations on synthetic meat will be implemented in 2019
- Immigration Reform
- Regulations
 - WOTUS

Thank you!

- Any Questions?
- Brenda.Boetel@uwrf.edu

Sources

- ▶ Graphs: LMIC – www.lmic.info
- ▶ Data: LMIC,
USDA-NASS