

Daily Livestock Report

U.S. Corn Supply and Use: USDA Data and Pre-Report Estimates

	2006/07	2007/08	2008/09		
	USDA Actual	USDA Proj.	USDA Nov Est.	USDA Dec. Est.	Avg. of Est. for January
Planted	78.3	93.6	85.9	85.9	
Harvested	70.6	86.5	78.2	78.2	
Yield per harvested acre	149.1	151.1	153.8	153.8	
Beginning stocks	1,967	1,304	1,624	1,624	
Production	10,535	13,074	12,020	12,020	
Imports	12	20	15	15	
Supply, total	12,514	14,398	13,659	13,659	
Feed and residual	5,595	5,974	5,300	5,350	
Ethanol for fuel	2,119	3,026	4,000	3,700	
Food, seed and residual	1,371	1,338	1,335	1,335	
Domestic use, total	9,085	10,338	10,635	10,385	
Exports	2,125	2,436	1,900	1,800	
Use, total	11,210	12,773	12,535	12,185	
Ending stocks	1,304	1,624	1,124	1,474	1,499
					1,689
					1,292
Ending Stocks/Use	11.6%	12.7%	9.0%	12.1%	

Source: USDA

** Corn crop marketing year starts September 1.

Will USDA revise lower output levels for 2008 harvest?

Ethanol remains a wild card but lower econ growth assumptions could also reduce feed use

E-Livestock Volume	8-Jan	7-Jan	1-Jan
LE (E-Live Cattle):	20,831	12,463	Holiday
GF (E-Feeder Cattle):	1,187	1,864	Holiday
HE (E-Lean Hogs):	23,006	14,069	Holiday

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Market Comments

USDA will release on Friday, January 10 the monthly update of its working supply and demand estimates for the 2008-09 marketing year and trade as usual will pay close attention. It is a particularly difficult job given the current upheaval in the US and global financial markets and prospects of a very difficult economic year ahead. Recent forecasts from the Congressional Budget Office point to a 2.2% decline in US GDP in 2009 and government deficits at 8.3% of GDP, well above the 6% reached in 1983. Global markets also remain in turmoil and the lack of willingness to invest in anything but US treasuries continues to support the value of the US dollar. How long that continues in the face of ballooning US deficits and the much faster printing presses at the Federal Reserve that is another matter. This is all germane to the issue at hand. One of the big questions for the market going forward is the outlook for US corn exports. In the last USDA report, corn exports were pegged at 1.8 billion bushels, 100 million bushels lower than the November estimate and 636 million bushels or 26% lower than the previous year. If the US dollar remains strong and the global economy continues to flounder, such an assumption would make sense and exports could eventually be even lower than current estimates. We have yet to see signs of a rebound in exports, as weekly shipments since October have been some 40% behind last year's levels. As for ethanol demand, that remains a big question mark. Energy markets continue to be very volatile. Crude prices staged a notable recovery recently, gaining some \$15 per barrel in a matter of days. But crude values then lost ground again on reports that US oil stocks continued to rise in December as US consumers travel less and the US economic activity declined. We know what oil prices are likely to be with a fast growing global economy, what is unknown is where they are likely to bottom out if the US economy contracts by 2.2%. A \$30 target does not seem such a bad number and at that level it will be difficult to justify paying \$4+ for corn, as current futures indicate. Finally, the slowing economy and the new found American desire to stash money away rather than spend it at the mall or the local restaurant or the nice beach vacation, will continue to impact meat prices. Meat producers still are feeling the whiplash of the price volatility and in the face of all this they are more likely to cut production, further eroding demand for corn.

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