

Market Comments

The table to the right outlines the changes that USDA made to the balance table for corn production and use in its Friday reports. The final USDA numbers with regard to US corn production showed that yields were somewhat better than earlier expected. USDA also increased the number of acres planted to 97.2 million. However, the final calculations showed that a larger number of corn acres was not harvested for grain but went into silage. The percentage of harvested to planted acres dipped further to below 90%. The combination of lower harvested acres and higher yields implied that total corn production was only slightly higher than previously expected. Prior to the report, analysts expected harvested acres to decline but did not account for the change in yields. The expectation was for US corn production to decline by some 100 million bushels, instead it was about 55 million bushels larger than the December estimate.

USDA elected to leave its estimate of US corn imports unchanged. While this may indeed be the case, the estimate may not be realized if the price gap between US and S American supplies disappears, which is already the case. USDA appears to think that as US corn prices head higher into the spring and summer, we will once again see a notable spread develop and thus more imported corn come into the US.

Probably the most significant revision in the report was the upward increase in the number of corn bushels going into livestock and poultry feed. The USDA quarterly corn stocks report pegged total December 1 corn stocks at 8.030 billion bushels, about 200 million bushels less than what analysts were expecting. The lower December stocks imply livestock and poultry producers used up more corn than earlier expected. The question is: does the final USDA annual feed demand of 4.450 billion bushels reflect the current pace of feed demand AND the fact that broiler producers and hog producers do not seem to be cutting back, but rather are increasing animal numbers. Furthermore, producers are increasing livestock and poultry weights and those increases imply more pounds of corn per animal unit.

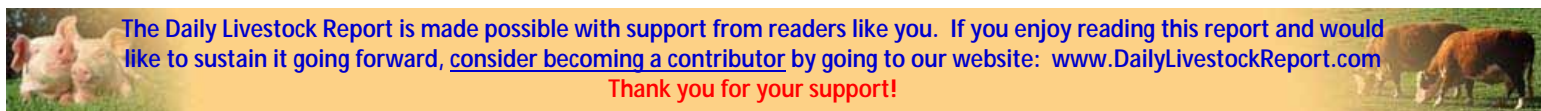
USDA was able to offset the increase in feed use by lowering the number of bushels going to export. Export sales have been very weak and currently USDA is projecting corn exports to be some 39% below year ago levels for 2012/13. In the past, US corn exports have tended to be seasonally higher in the period Jan - May as S. America supplies decline. Also, USDA increased its forecasts of Argentine corn production despite reports of drought problems there.

USDA/WASDE Corn Supply/Demand Estimates

	2011/12	2012/13 Projection		Change vs. Dec.
	USDA Estimate	USDA Dec Est	USDA Jan Est	
million acres				
Planted	91.9	96.9	97.2	0.3
Harvested	84.0	87.7	87.4	-0.3
bushels				
Yield	147.2	122.3	123.4	1.1
million bushels				
Beginning stocks	1,128	988	989	1
Production	12,358	10,725	10,780	55
Imports	25	100	100	0
Supply, total	13,511	11,813	11,869	
Feed and residual	4,550	4,150	4,450	300
Ethanol for fuel	5,000	4,500	4,500	0
Food, seed, other	1,390	1,367	1,367	0
Domestic use, total	10,940	10,017	10,317	300
Exports	1,550	1,150	950	-200
Use, total	12,490	11,167	11,267	100
Ending stocks	1,021	646	602	-44
Stocks/Use	8.2%	5.8%	5.3%	

USDA did not change its estimates of US ethanol production. So far, USDA forecasts are in line with the 10% reduction in ethanol production. Sharply higher corn prices could lead to further declines in ethanol use and this could offset to a certain degree higher corn use for livestock feed. Gasoline demand and prices remain the big wild card here and will determine the path of ethanol demand for the next two quarters.

In addition to the highly anticipated grain reports, USDA made significant changes to its protein balance tables for 2013. Combined beef, pork and broiler production forecasts for 2013 were increased by some 1.460 billion pounds compared to the December estimate (hence the questions over feed demand). Broiler output was revised up by 730 million pounds (+1.5%), pork was increased by 510 million pounds (+2.2%) and beef forecasts for 2013 were increased by 220 million pounds (+0.9%)/



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PRODUCTION & PRICE SUMMARY

Week Ending

Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change
		12-Jan-13	5-Jan-13		14-Jan-12	
Total Red Meat & Poultry	mil lbs., cwe	1,639	1,373	19.34%	1,638	0.02%
FI Slaughter	Thou. Head	624	519	20.23%	646	-3.38%
C FI Cow Slaughter **	Thou. Head	94	137	-31.66%	115	-18.47%
A Avg. Live Weight	Lbs.	1328	1327	0.08%	1301	2.08%
T Avg. Dressed Weight	Lbs.	802	799	0.38%	780	2.82%
T Beef Production	Million Lbs.	499.1	413.6	20.67%	502.9	-0.76%
L Live Fed Steer Price	\$ per cwt	126.36	128.12	-1.37%	122.99	2.74%
E Dressed Fed Steer Price	\$ per cwt	204.10	205.02	-0.45%	198.30	2.92%
OKC Feeder Steer, 600-700	\$ per cwt	N/A	N/A	N/A	155.60	N/A
& Choice Beef Cutout	\$ per cwt	193.81	194.31	-0.26%	187.92	3.13%
Hide/Offal	\$ per cwt, live wt	13.47	13.21	1.97%	12.40	8.63%
B Rib, Choice	\$ per cwt	269.51	267.78	0.65%	259.37	3.91%
E Round, Choice	\$ per cwt	175.01	175.05	-0.02%	174.05	0.55%
E Chuck, Choice	\$ per cwt	166.57	165.86	0.43%	163.00	2.19%
F Trimmings, 50%	\$ per cwt	73.29	75.50	-2.93%	101.30	-27.65%
Trimmings, 90%	\$ per cwt	210.51	209.66	0.41%	203.23	3.58%
FI Slaughter	Thou. Head	2,284	1,969	16.00%	2,218	3.00%
FI Sow Slaughter **	Thou. Head	35.0	62.2	-43.76%	47.2	-25.89%
H Avg. Dressed Weight	Lbs.	207.0	207.0	0.00%	209.0	-0.96%
O Pork Production	Million Lbs.	471.5	406.8	15.90%	463.1	1.81%
G Iowa-S. Minn. Direct	Wtd. Avg.	82.95	82.29	0.80%	83.13	-0.22%
S Natl. Base Carcass Price	Wtd. Avg.	82.26	81.42	1.03%	82.00	0.32%
Natl. Net Carcass Price	Wtd. Avg.	84.56	83.65	1.09%	84.35	0.25%
Pork Cutout	200 Lbs.	83.42	82.58	1.02%	83.92	-0.60%
Hams	\$ per cwt	64.80	63.29	2.39%	65.97	-1.77%
Loins	\$ per cwt	88.03	88.25	-0.25%	92.67	-5.01%
Bellies	\$ per cwt	134.69	126.48	6.49%	110.93	21.42%
72CL Pork Trim	\$ per cwt	61.00	58.00	5.17%	68.00	-10.29%
C Young Chicken Slaughter *	Million Head	130.6	115.4	13.16%	135.2	-3.43%
H Avg. Weight (Live)	Lbs.	5.84	5.64	3.55%	5.71	2.28%
I Chicken Production (RTC)	Million Lbs.	579.5	491.3	17.95%	579.1	0.08%
C Eggs Set	Million	196.3	195.3	0.51%	193.2	1.61%
K Chicks Placed	Million Head	163.8	158.8	3.12%	161.9	1.18%
E 12-City Broiler Price	Composite	103.81	104.98	-1.11%	80.95	28.24%
N Georgia Dock Broiler Price	2.5-3 Lbs.	98.71	98.67	0.04%	89.61	10.16%
Northeast Breast, B/S	\$/cwt	136.89	132.49	3.32%	130.18	5.15%
Northeast Legs	\$/cwt	66.97	66.17	1.21%	71.97	-6.95%
T Young Turkey Slaughter *	Million Head	3.403	2.381	42.92%	3.683	-7.60%
U Avg. Live Weight	Lbs.	32.56	32.23	1.02%	31.67	2.81%
R Turkey Production (RTC)	Million Lbs.	88.6	61.4	44.32%	93.3	-5.03%
K Eastern Region Hen Price	8-16 Lbs.	95.23	97.00	-1.82%	97.67	-2.50%
G Corn, Omaha	\$ per Bushel	7.27	7.17	1.39%	6.06	19.97%
R DDGs, Minnesota	\$ per Ton		222.00	N/A	182.50	N/A
A Wheat, Kansas City	\$ per Bushel	7.67	7.65	0.26%	6.45	18.91%
I Soybeans, S. Iowa	\$ per Bushel	14.17	14.18	-0.07%	11.78	20.29%
N Soybn Meal, 48% Decatur	\$ per Ton	422.60	422.60	0.00%	299.10	41.29%

* Chicken & turkey slaughter & production 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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