

Daily Livestock Report

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Market Comments

USDA updated on Tuesday its monthly supply and demand estimates and overall the release contained few surprises.

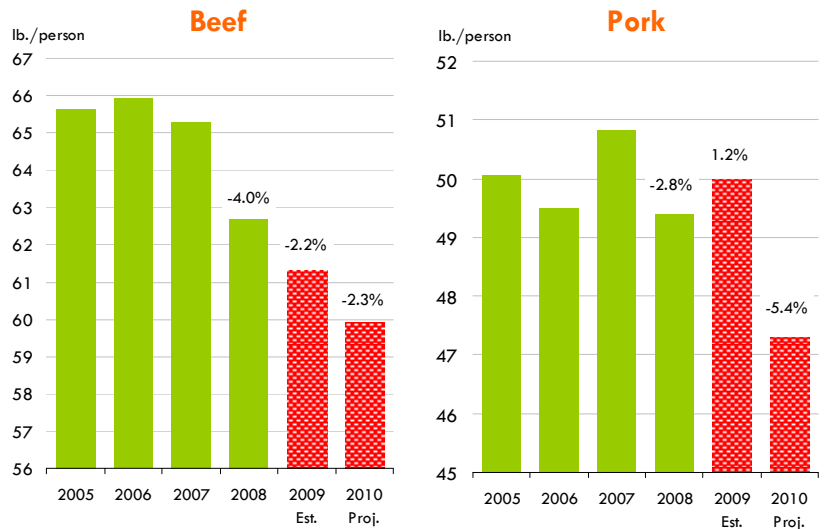
Many of the changes to the beef and pork production and use numbers were incremental while the changes to the corn balance sheet for the most part involved a few adjustments to the demand side. Below are some of the highlights from the latest release:

Corn: USDA did not make any changes to the feed use numbers for 2009/10 as projections for red meat and poultry production were only slightly lower than the previous estimate. Ethanol use was increased by about 100 million bushels and it now accounts for 4.3 billion bushels of corn use. Some of that increase in ethanol demand was offset by a reduction in expected corn shipments. Exports have been running behind projections for some time and USDA recognized this in the latest release. Overall ending stocks for the 2009/10 marketing year were 1.719 billion bushels, or 13.1% of total use. Last year the stocks to use ratio was 13.9%.

Beef: Commercial beef production in 2010 is now projected to be 25.650 billion pounds. This estimate is about 175 million pounds higher than the January report but still about 313 million pounds or 1.2% lower than what it was in 2009. One wild card going forward will be the situation in the US cow calf sector. At this point, there is little indication that producers are willing to hold back heifers to rebuild the beef cow herd. Dairy producers, on the other hand, will likely embark on some more herd culling given persistent profitability issues. Beef exports were left unchanged and at 2.040 billion pounds they are currently projected to increase 169 million pounds or 9% compared to 2009 levels. Beef imports, on the other hand, were reduced by 20 million pounds but at 2.775 they are still projected to be 132 million pounds or 4.9% higher than in 2009. We will likely need a sustained recovery in the value of the US dollar for imports to recover in 2010. The downward adjustment was likely prompted by a very slow start in beef imports from Australia and New Zealand and we remain unconvinced that those imports will recover anytime soon. Overall per capita beef disappearance for 2010 was raised only modestly to 59.9 lb/person and it is still expected to be down 2.3% from the year before and now down 8.7% compared to where it was in 2005.

Pork: USDA lowered its estimate of pork production for 2010 by 115 million pounds. At 22.520 billion pounds, US pork production for 2010 is currently projected to be 473 million pounds or 2.1% lower than in 2009 and 827 million pounds or 3.5% lower than in 2008. With pork exports expected to be 4.5 billion pounds (+8.5%), US pork per capita disappearance is expected to fall sharply by 5.4% and likely lead to significant price inflation for 2010.

US Beef and Pork Per Capita Disappearance, USDA, Feb 2010 Forecast



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