

First today, a couple of responses to some reader questions regarding yesterday's scatter diagrams . . .

- We make these diagrams using Microsoft Excel but have not found the "Scatter" chart option to be at all useful. These charts are made using the "Bubble" chart option with the years entered as two-digit numbers and used as the "Bubble Size" variable. The two-digit years can then be specified as Data Labels and centered on the data point under the Layout chart tool. Then right click on a bubble and select Format Data Series. Set the Bubble Size scaling to zero and specify "00" as a Custom format for Number. This makes the bubbles disappear and leaves only the two-digit labels as the data points. Note that you should enter a small decimal number (0.1, for instance) for the year 2000. Excel will read it as "00". If you list 0 or 00 as the variable value, Excel will not show the data point.
- Each of the data points in the scatter diagrams represents, in essence, the observed intersection of supply and demand for the given year. One can compute the slope of a demand curve through each point to get an idea of the position of the demand curve in Q-P space. This position relative to the origin is what our demand indexes represent. We have included demand segments for 2010 and 2011 in the chart at right. The segments assume an elasticity of demand of -0.75 . Note that the slopes are slightly different because the ratio of price and quantity (part of the formula for elasticity of demand) is different for each point. Also note that the slope we derive is actually only accurate for the exact point. Even the short line segments we have included will not be precise very far from the data point. A demand curve with constant elasticity through any point on this chart would be curved with its slope getting less negative as quantity increases. Enough of MS Excel 101 and Econ 202 for today.

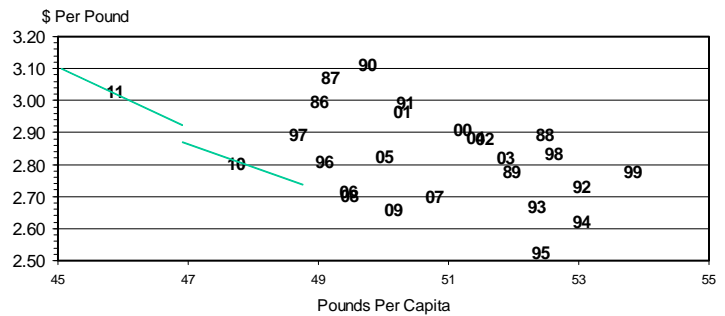
USDA's monthly Chickens and Eggs report, released Monday, indicated some growth of the broiler layer flock but still shows one of the lowest inventories on record. The report says that there were 50.885 million hens producing broiler-type hatching eggs as of January 1. That number is up 0.5% from last month but is 7.3% lower than one year earlier. More important, it is just barely higher than the November 1 inventory of 50.103 million hens which marked the smallest broiler-type breeder flock in almost 14 years!

Further, the decline of the breeder flock in this most recent downsizing is nearly as large as the one in 2008. The breeder flock fell by 5.367 million hens from May to December 2008. It fell by 5.206 million from May to November 2011 before growing modestly the past two months. The November 1 flock was 14.3% smaller than the all-time largest flock back in May 2002 and 14.0% smaller than the most recent peak in February 2008.

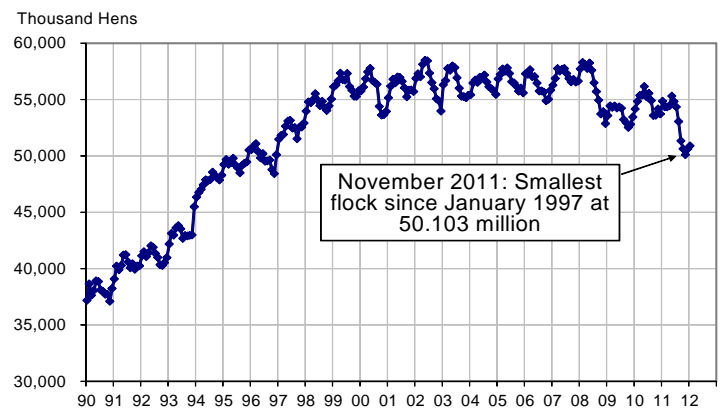
This hatching flock is, like virtually everything in agriculture, more productive than it once was and is still seeing productivity grow sharply. December hatching egg output of 61.9 eggs per 100 hens per day was 3.6% higher than both one year ago and February 2008 when the flock last peaked.

PORK PRICE-QUANTITY RELATIONSHIP

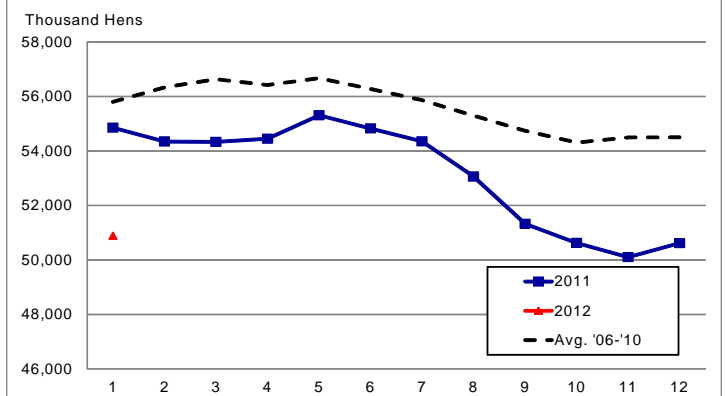
Annual, Retail Weight, Deflated Retail Price



BROILER HATCHERY FLOCK



BROILER-TYPE HATCHING FLOCK, MONTHLY



Announcing Weekly Live Cattle Options Now Trading



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