

**What would happen to the “freed-up” corn if the RFS waiver passes and goes into effect in the 2011-12 crop year?** Several comments or questions on this topic came from DLR readers following our discussion of the proposed Goodlatte-Costa RFS waiver bill. No one knows the answer for sure but our guess is that it will still go into ethanol production. Ethanol margins are still positive and will likely remain so. Ethanol plants benefit from lower-priced corn just as livestock feeders do. But the fact that that one billion-plus bushels of corn would still go to ethanol does not mean the bill is Quixotic jousting with the ethanol windmills. It is simply a reflection of economic conditions at the present time. What if the same crop scenario played out with \$60/bbl or lower oil? Ethanol margins would be lower the RFS might force relatively high-priced corn into ethanol when “true” economics says it should not go there. That’s the way a “free” market works.

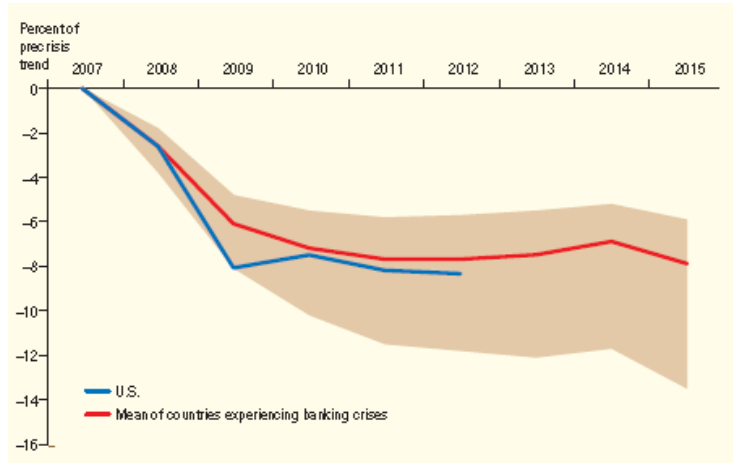
**Why has the economic recovery been so slow?** We hear that question frequently and read about rather constantly in the press. We fear that it has become a self-fulfilling prophecy—the slow recovery has caused people to behave in a way that makes for a slow recovery. But there may be much more to it than that.

A very interesting (and concise!) article in the Federal Reserve Bank of Dallas’s September Economic Letter makes a compelling case that the notable difference between this recession and any other one in the U.S. since World War II is that it was preceded by a banking crisis. Author Mark A. Wynne goes on to point out that our “recovery” to-date is not that unusual when compared to similar banking crisis-induced recessions in other countries.

The chart at top right illustrates his findings. It shows the average deviations of output from pre-recessions trend paths in a sample of countries that saw banking crises from the early ‘70s to 2002 as well as a 95% confidence interval on those deviations. There is some disagreement over just when the U.S. crisis began. If one it in 2008 (and many do), the path of U.S. output reductions so far fits the averages of other countries pretty well.

So, while the recovery is an anomaly relative to past U.S. recessions, it is in line with other countries’ recessions that were

GDP decline in recessions preceded by banking crises (Wynne, Federal Reserve Banks of Dallas, Sept. 2011)



preceded or begun by banking crises.

Wynne points out that there is not much consensus on why banking difficulties make for more difficult recoveries. He offers that they tend to have more lasting impacts on productivity, employment and investment. Our idea: Perhaps banking-induced recessions rattle consumer confidence and sentiment far more deeply than more normal downward phases of the business cycle.

The entire report can be downloaded at <http://www.dallasfed.org/research/eclett/2011/el1109.html>.

**The results of the three major wire services’ surveys of analysts regarding USDA’s September WASDE report, due out Tuesday, appear below.** Analysts expect a slight increase in the corn yield but a slight decrease in the total corn crop. Ditto for soybean yield but they expect, generally, a slightly larger soybean crop. They also expect 2012 corn carryout stocks of about 800 mil. bu., up sharply from USDA’s August estimate of 672 mil. bu.

## PRE-REPORT SURVEY RESULTS -- OCTOBER WASDE

Crop Size	USDA		Dow Jones		Reuters		Bloomberg	
	2010	Sept.	Average	Range	Average	Range	Average	Range
(Million bushels)								
Corn	12.447	<b>12.497</b>	<b>12.492</b>	12.342 - 12.690	<b>12.471</b>	12.001 - 12.690	<b>12.479</b>	12.200 - 12.690
Soybeans	3.329	<b>3.085</b>	<b>3.094</b>	3.050 - 3.162	<b>3.081</b>	2.930 - 3.162	<b>3.102</b>	3.050 - 3.200

Yield	USDA		Dow Jones		Reuters		Bloomberg	
	2010	Sept.	Average	Range	Average	Range	Average	Range
(Bushels per acre)								
Corn	152.8	<b>148.1</b>	<b>148.9</b>	147.2 - 150.9	<b>148.7</b>	145.2 - 148.1	<b>148.7</b>	145.0 - 150.9
Soybeans	43.5	<b>41.8</b>	<b>42.0</b>	41.0 - 42.9	<b>41.8</b>	40.0 - 42.9	<b>42.1</b>	41.0 - 42.9

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# Daily Livestock Report

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**PRODUCTION AND PRICE SUMMARY**
**Week Ending 10/8/2011**

	Item	Units	Current		Pct. Change	Week Ending		YTD	Pct. Change
			Week	Last Week		Last Year	Change		
	Total Meat & Poultry Prod.	Million lbs.	1779.3	1770.3	0.51%	1803.6	-1.35%	67,465	-3.35%
<b>C</b>	FI Slaughter	Thou. Head	666	677	-1.62%	665	0.18%	25,992	-0.03%
<b>A</b>	FI Cow Slaughter	Thou. Head	148.0	147.0	0.69%	128.3	15.37%	4,763	3.66%
<b>T</b>	Avg. Live Weight	Lbs.	1285	1282	0.23%	1303	-1.38%	1,275	-0.03%
<b>T</b>	Avg. Dressed Weight	Lbs.	774	775	-0.13%	789	-1.90%	772	0.26%
<b>L</b>	Beef Production	Million Lbs.	514	522.7	-1.66%	522.5	-1.63%	19,985	0.23%
<b>E</b>	Live Fed Steer	\$/cwt live wt.	120.97	120.09	0.70%	94.83	27.60%		
	Dressed Steer	\$/cwt carcass	189.90	188.47	0.80%	150.37	26.30%		
<b>&amp;</b>	OKC Feeder Steer	600-700 Lbs.	142.81	136.44	4.67%	114.21	25.04%		
	Beef Cutout	600-750 Choice	184.20	183.19	0.60%	152.41	20.90%		
<b>B</b>	Hide/Offal	\$/cwt live wt.	13.20	13.46	2.80%	11.17	18.20%		
<b>E</b>	Rib	Choice	286.53	278.81	2.80%	241.12	18.80%		
<b>E</b>	Round	Choice	167.95	165.92	1.20%	137.69	22.00%		
<b>F</b>	Chuck	Choice	153.47	153.32	0.10%	120.05	27.80%		
	Trimming, 50%	Fresh	89.11	89.33	-0.20%	58.91	51.30%		
	Trimming, 90%	Fresh	167.31	170.23	-1.70%	146.37	14.30%		
<b>H</b>	FI Slaughter	Thou. Head	2340	2250	4.00%	2241	4.41%	82,771	0.15%
<b>O</b>	FI Sow Slaughter	Thou. Head	64.9	65.0	-0.22%	58.9	10.11%	2,172	1.03%
<b>G</b>	Avg. Dressed Weight	Lbs.	202	201	0.50%	205	-1.46%	205	1.07%
<b>S</b>	Pork Production	Million Lbs.	472.2	451.4	4.61%	459.3	2.81%	16,948	-14.17%
	Iowa-S. Minn. Direct	Avg.	92.86	89.60	3.60%	73.44	26.40%		
<b>&amp;</b>	Natl. Base Carcass Price	Weighted Avg.	88.72	87.80	1.00%	75.41	17.70%		
	Natl. Net Carcass Price	Weighted Avg.	91.60	90.70	1.00%	77.81	17.70%		
<b>P</b>	Pork Cutout	185 Lbs.	98.06	97.83	0.20%	83.74	17.10%		
<b>O</b>	Hams	Primal Cutout	87.56	86.98	0.70%	80.98	8.10%		
<b>R</b>	Loins	Primal Cutout	113.24	114.60	-1.20%	94.71	19.60%		
<b>K</b>	Bellies	Primal Cutout	118.86	113.85	4.40%	103.20	15.20%		
<b>C</b>	Young Chicken Slaughter*	Million Head	156.44	160.20	-2.35%	167.67	-6.70%	6,197	-1.55%
<b>H</b>	Avg. Weight	Lbs., RTC	4.37	4.32	1.21%	4.28	2.26%	4.3	2.88%
<b>I</b>	Broiler Production	Million Lbs., RTC	684.1	692.2	-1.17%	717.0	-4.59%	26,444	1.28%
<b>C</b>	Eggs Set	Million	183.1	187.9	-2.52%	197.4	-7.21%	7,846	-2.66%
<b>K</b>	Chicks Placed	Million Head	154.6	158.8	-2.64%	169.6	-8.87%	6,549	-1.50%
<b>E</b>	12-City Broiler	Composite	72.3	72.35	-0.10%	80.59	-10.30%		
<b>N</b>	Georgia Dock Broiler	2.5-3 Lbs.	87.12	86.59	0.60%	86.66	0.50%		
	Northeast Breast	Skinlss/Bonelss	122.03	127.91	-4.60%	152.41	-19.90%		
	Northeast Legs		70.44	71.62	-1.60%	54.03	30.40%		
<b>T</b>	Young Turkey Slaughter*	Million Head	4.67	4.37	6.75%	4.52	3.32%	172.0	0.82%
<b>U</b>	Avg. Weight	Lbs.	23.34	23.79	-1.88%	23.19	0.66%	23.8	1.34%
<b>R</b>	Turkey Production	Million Lbs.	108.9	104.0	4.74%	104.8	4.00%	4,089	1.96%
<b>K</b>	Eastern Region Hen	8-16 Lbs.	112.08	112.20	-0.10%	105.83	5.90%		
<b>F</b>	Corn, Omaha	\$ per Bushel	5.97	6.20	-3.71%	4.46	33.86%		
<b>E</b>	DDGS, Minnesota	\$ per ton	0.00	187.50	-100.00%	117.50	-100.00%		
<b>E</b>	Wheat, Kansas City	\$ per Bushel	6.50	6.86	-5.25%	6.65	-2.26%		
<b>D</b>	Soybeans, S. Iowa	\$ per Bushel	11.50	12.15	-5.35%	10.48	9.80%		
	SB Meal, 48% Central Illinois	\$ per Ton	285.60	317.50	-10.05%	293.70	-2.80%		

\* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier

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