

# Daily Livestock Report

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USDA's monthly World Agricultural Supply and Demand Estimates (WASDE) will be released on Monday, February 9 (an unusually early date in the month, it seems) at 8:30 a.m. EST. Both Dow Jones and Bloomberg released today he results of their pre-report surveys of market analysts. The results appear in the table at right. The numbers from the two wire services are, quite predictably, very similar and all of the averages are below USDA's January estimates. The largest expected change from both surveys is in year-end soybean stocks. Average estimates of 219 to 221 million bushels are both roughly 10% lower than USDA's January estimate. But note that they are still significantly higher than last year's year end inventory of only 138 million bushels.

Bloomberg also asked 14 analysts to forecast USDA's estimate for world inventories prior to the commencement of 2010 harvests. The averages of the estimates for corn, soybeans and wheat were all slightly higher than USDA's January estimate. The average corn estimate of 136.8 million metric tons (5.384 billion bushels) is 6.3% lower than last year's 145.97 million metric tons. The average soybean estimate (60.3 million metric tons or 2.215 million bushels) is 31% larger than last year while the average wheat estimate (195.95 million metric tons or 7.2 billion bushels) is 19.5% larger than USDA's 2009 figure.

The Environmental Protection Agency announced its long-anticipated Renewable Fuel Standards for 2010 yesterday and they provided some assurances to makers of corn-based ethanol as well as biomass-based diesel fuels. The chart below shows the Renewable Fuel Standard as laid out by Energy Independence and Security Act of 2007 (or EISA). That act specified total usage levels of four classes of biofuels. EPA's announcement sets the specific levels of biofuels to be used for the coming year.

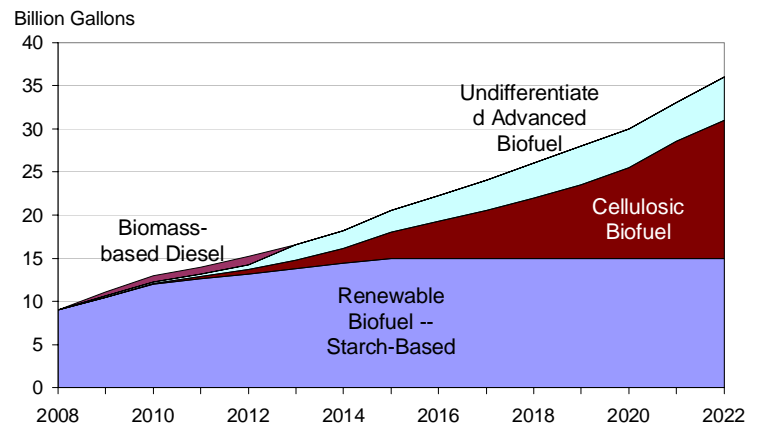
Most notable in the EPA announcement, though, was its finding that corn-based ethanol achieves the required 20% reduction in greenhouse gases (GHG) relative to a 2005 gasoline usage baseline. That issue has been in doubt since preliminary work indicated that corn-based ethanol would fall short of the required level due to U.S. ethanol production inducing cropping changes in the U.S. that, in turn, induce cropping changes in other parts of the world that cause an increase in GHG production. This "indirect land use change" or ILUC has been a huge point of contention between EPA, corn growers, ethanol manufacturers and several farm-state legislators for some time. Original ILUC estimates caused corn-based ethanol to fall short of the required GHG reduction. But EPA used new U.S. yield levels and widened its impact assessment from 40 to 120 other countries and concluded that corn-based ethanol now achieves a 21% reduction in GHG — and thus counts toward the 2010 renewable fuel standard. The RFS for corn-based ethanol for 2010 remains at 12 billion gallons, the same level as was set by the EISA. If met, that level of output will require 4.3 bil. bu. of corn assuming a yield of 2.8 gal./bu.

EPA also changed the 2010 requirements for cellulosic biofuels and biomass-based diesel. The original requirement for cellulosic biofuels in 2010 was 100 million gallons. Continuing challenges in achieving cost-efficient production and getting plants constructed lead EPA to realize that the goal would never be met. EPA has now set the 2010 standard for cellulosic at 6.5 million gallons — a step that suggests there could be big-time problems in meeting the ambitious goal of using 16 billion gallons of cellulose-based fuels in 2022. In addition, USDA combined the 2009 and 2010 RFS levels for biomass-based diesel to establish this year's RFS of 1.15 billion gallons.

## PRE-REPORT ESTIMATES USDA'S JANUARY WASDE ENDING STOCKS

	Average	Range	2009-10 USDA, Jan	2008-09
(Billion bushels)				
<b>Dow Jones</b>				
Corn	1.748	1.602 - 1.815	1.764	1.673
Soybeans	0.219	0.170 - 0.245	0.245	0.138
Wheat	0.973	0.876 - 1.001	0.976	0.657
<b>Bloomberg</b>				
Corn	1.7467	1.602 - 1.815	1.764	1.673
Soybeans	0.2214	0.170 - 0.245	0.245	0.138
Wheat	0.9708	0.876 - 1.002	0.976	0.657

## U.S. RENEWABLE FUEL STANDARD



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