

Daily Livestock Report

Vol. 8, No. 24/ February 8, 2010

All eyes will be on USDA's monthly Crop Report and World Agricultural Supply and Demand Estimates (WASDE) when they are released at 8:30 EST on Monday. If you missed them, the February 5 edition of DLR contained the results of both the Dow Jones and Bloomberg surveys of industry analysts. We think you are likely to hear two quite different arguments about corn and soybean markets, regardless of what the report says — because both arguments have merit regardless of what the report says.

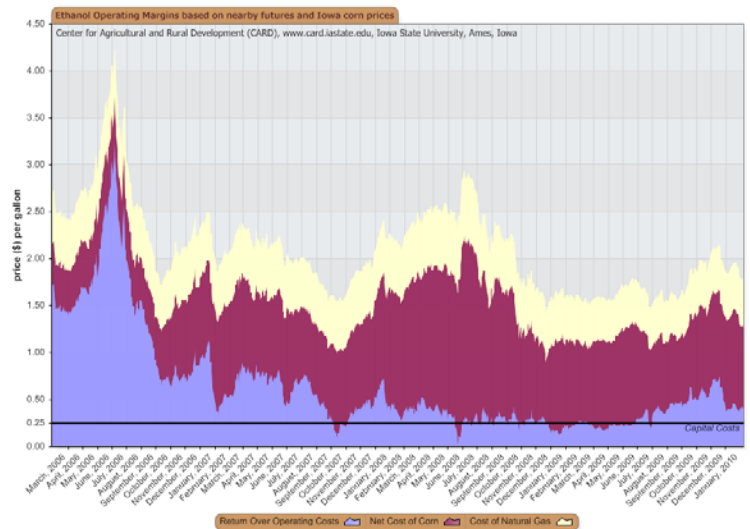
The bearish argument will focus on the following:

- Larger-than-expected world supplies of corn and larger supplies of soybeans will keep both markets under pressure. In its January WASDE, USDA raised the 2009 U.S. crop significantly and had 95 million bushels more corn coming from the combined Argentine and Brazilian corn crops this spring. USDA also predicted that the two countries' soybean output would be nearly 1.2 billion bushels higher this year than in 2009.
- VERY week technicals for corn futures. The March chart appears at right but it is quite similar to all of the corn charts. The retracement from a high of \$4.26 on January 4 has now covered the gap left in August at \$3.60. There are no other gaps below Friday's close of \$3.515 but there isn't much support below that level, either. In fact, it appears that the only real support would be the contract life lows just below \$3.20 set back in September before harvest really got started.
- A stronger dollar that will dampen export demand. In spite of small losses for the nearby contracts on Friday, the dollar has gained 8.5% since the most recent lows were made back in November. We realize that all of the monetary fundamentals — deficit spending, a record-large U.S. deficit, cash infusions from the Fed and the Treasury — point to a lower dollar. Higher supplies of dollars almost always mean inflation, dollar weakness and higher nominal interest rates. We can't argue with that scenario but our trouble with it is that seemingly EVERYONE buys it. And consensus on about anything economic is frequently wrong. Add in the recent uneasiness in Europe about the financial status of a few EU members and we are reminded that the U.S. dollar's value hinges largely on the status of other economies and currencies. Things may not look peachy for the greenback but it remains a safe haven — at least for now — whenever anything goes awry elsewhere.



The bulls will point primarily to ethanol and feed/residual usage. Their points will be:

- Ethanol's position as part of the Renewable Fuel Standard is now solid, plants are in the black and there is excess capacity. All of those point to higher ethanol output and corn usage. The chart at right shows the ethanol margin calculations from Iowa State's Center for Agricultural and Rural Development as of January 22. They were not as large as in late November at that time but they have improved since January 22 as corn prices have fallen.
- Potentially higher corn usage due to quality issues. Livestock feeders are having substantial difficulties with mold and toxin levels (primarily in the east) and low test weights which are associated with low protein and energy levels, the latter due to lower starch density. Add those up and they mean lower feed efficiency and more corn usage. We have heard concerns about ethanol yields as well. Normal yields are 2.8 gallons of ethanol per bushel of corn. It seems logical that lower starch density would driven yields down.



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PRODUCTION AND PRICE SUMMARY

Week Ending **2/6/2010**

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	642	629	2.07%	642	-0.07%	3,292	0.0%
A	FI Beef Cow Slaughter	Thou. Head	80.0	74.4	7.45%	69.5	15.01%	289	14.0%
T	Avg. Live Weight	Lbs.	1291	1294	-0.23%	1313	-1.68%	1,291	-1.5%
T	Avg. Dressed Weight	Lbs.	775	777	-0.26%	790	-1.90%	781	-0.6%
L	Beef Production	Million Lbs.	496	487.3	1.79%	492.3	0.75%	2,548	-1.1%
E	Live Fed Steer	\$/cwt live wt.	83.74	84.42	-0.80%	82.43	1.60%		
	Dressed Steer	\$/cwt carcass	136.34	135.64	0.50%	130.88	4.20%		
	OKC Feeder Steer	600-700 Lbs.	N/A	100.68	#VALUE!	98.80	#VALUE!		
	Beef Cutout	600-750 Choice	139.34	141.40	-1.50%	139.72	-0.30%		
	Hide/Offal	\$/cwt live wt.	9.55	9.53	0.50%	6.95	37.40%		
H	FI Slaughter	Thou. Head	2149	2142	0.33%	2216	-3.03%	10,987	-8.9%
O	FI Sow Slaughter	Thou. Head	63.3	61.8	2.43%	60.8	4.18%	228	-6.4%
G	Avg. Dressed Weight	Lbs.	204	204	0.00%	204	0.00%	202	-1.2%
S	Pork Production	Million Lbs.	437.5	435.1	0.55%	452	-3.21%	2,235	-9.3%
	Iowa-S. Minn. Direct	Avg.	63.08	64.64	-2.40%	57.30	10.10%		
	Natl. Base Carcass Price	Weighted Avg.	63.46	65.67	-3.40%	58.28	8.90%		
	Natl. Net Carcass Price	Weighted Avg.	65.95	68.25	-3.40%	60.46	9.10%		
	Pork Cutout	185 Lbs.	68.59	71.32	-3.80%	56.98	20.40%		
C	Young Chicken Slaughter*	Million Head	151.33	154.87	-2.28%	148.08	2.20%	635	1.8%
H	Avg. Weight	Lbs.	5.48	5.56	-1.44%	5.59	-1.97%	5.5	0.4%
I	Chicken Production	Million Lbs.	829.31	861.05	-3.69%	827.76	0.19%	2,640	3.1%
C	Eggs Set	Million	201.83	202.94	-0.55%	198.42	1.72%	1,011	0.2%
K	Chicks Placed	Million Head	165.42	166.14	-0.43%	166.67	-0.75%	835	-0.4%
E	12-City Broiler	Composite	79.96	82.08	-2.60%	81.37	-1.70%		
N	Georgia Dock Broiler	2.5-3 Lbs.	82.6	82.68	-0.10%	86.58	-4.60%		
T	Young Turkey Slaughter*	Million Head	4.10	4.42	-7.15%	4.44	-7.55%	17.1	-5.6%
U	Avg. Weight	Lbs.	30.52	30.75	-0.75%	30.37	0.49%	29.1	-4.3%
R	Turkey Production	Million Lbs.	125.2	135.9	-7.85%	134.8	-7.09%	418	-5.1%
K	Eastern Region Hen	8-16 Lbs.	77.10	79.00	-2.40%	72.7	6.10%		
F	Com, Omaha	\$ per Bushel	3.36	3.36	0.00%	3.65	-7.90%		
E	DDGS, Minnesota	\$ per ton	99.00	100.00	-1.00%	127.50	-16.20%		
E	Wheat, Kansas City	\$ per Bushel	4.25	4.21	0.95%	5.47	-22.30%		
D	Soybeans, S. Iowa	\$ per Bushel	9.19	9.38	-2.03%	9.88	-6.90%		
	SB Meal, 48% Central Illinois	\$ per Ton	292.20	302.60	-3.44%	312.00	-6.30%		

* 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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