

Daily Livestock Report

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A reminder from a reader regarding other wholesale pork pricing issues: USDA does not report a number of pork products due to differentiation and other factors. The omitted product includes a large amount of pumped pork (ie. pork enhanced with a brine solution), specialty program product such as packer branded, antibiotic free, etc., product sold for delivery more than 10 days into the future and product headed for export — even that going to Canada and Mexico. A mandatory system will exclude these products as well unless the rules are changed. This differentiation is one item that any mandatory wholesale pork price reporting system will have to address. There are many, many more specs for pork products than there are for beef products.

Dow Jones' monthly survey of analysts' regarding USDA's monthly Cattle On Feed report indicates that, on average, analysts expect "more of the same" with respect to last year. In fact, the averages this month are VERY similar to those of last month with the only real difference being placements at 98% of last year this month versus only 95.1% of last year in January. Note that these are the pre-report estimates for last month and this month, not the January actual percentage changes. The analysts show the greatest degree of disagreement for the placements category; not too surprising given this year's weather conditions. The report will be released Friday afternoon at 3:00 p.m. EDT, 2:00 p.m. CDT.

Pre-Report Estimates – USDA Cattle On Feed

March 19, 2010

	Range of Estimates	Average of Estimates
On Feed, March 1	95.7 - 97.3	96.8
Placed in February	92.4 - 103.0	98.0
Marketed in February	100.4 - 103.4	101.9

Source: DowJones

Russia's chief sanitary official said on Wednesday that the rumored agreement between Russia and the U.S. regarding chicken imports could be finalized this week. Gennady Onnischenko said the agreement could be completed by week's end but cautioned that this did not mean that shipments would resume in the near future. The story agreed with what we have been hearing in that U.S. exporters will limit the amount of chlorine in the water being used to process chickens. The Russians also stated that the amount of fluid that separates when chicken is thawed must not exceed 4% of the total weight of the product.

This confirms market sentiment for the past few weeks and should keep chicken prices firm. Weekly average leg quarter prices have stayed between 35 and 38 cents/lb. all year in spite of this potentially devastating trade spat. Weekly average 12-city composite broilers reached 82.59 cents/lb. last week, their highest level of the year to-date.

In addition to the Russian chicken news, Reuters reported today that top U.S. trade officials are in China to again attempt to finalize an agreement that would actually allow U.S. pork to begin flowing directly into China. China announced in October that they would drop the import restrictions related to H1N1 influenza but nothing has happened yet because the specific conditions have not been agreed upon. Recall that we and many others believe that the H1N1 pork restrictions were actually retaliation for the U.S. Congress's blocking USDA from inspecting Chinese chicken plants to clear them to export cooked chicken to the U.S. Congress reversed that position last fall but, to our knowledge, no inspections have occurred. We do not think China will wait until inspections actually start before resuming pork imports but they have certainly done a good job of dragging their feet so far.

We mentioned Tuesday that we would include more on the Ankeny, Iowa Competition Workshop — The entire exercise was far more balanced than we expected. There was a great lovefest between the Department of Justice and USDA regarding the potential to cooperate more in enforcing the anti-trust laws in agriculture — to the point of Assistant Attorney General for Agriculture Christine Varney offering to loan some lawyers to USDA. Much of the focus was on seed issues in general and Monsanto in particular. And the crux of that issue appears to lie in the patent laws and a fundamental disagreement among some players as to whether living organisms should be patented. As with virtually all antitrust discussions, it appears that this one will boil down to the definition of the relevant market. It is the market for seed traits or the market for seeds? Monsanto and two farmers made the case that there was still a great deal of choice and competition when one decides what seed to use. Antitrust advocates contended that the traits in those seeds are so tightly controlled that there must be monopoly power. There was a long discussion regarding what happens to the Roundup-Ready gene when the patent expires in 2014. Discussion of hog issues centered on the declining number of hogs in negotiated trades, contracting issues and, to a much lesser degree, packer ownership. Two pork producers who use vastly different marketing/pricing methods both urged the government to not intervene in hog markets but, rather, leave producers and packers with as much flexibility as possible. Several panelists continued to confuse hog production contracts with hog marketing agreements.

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