

Daily Livestock Report

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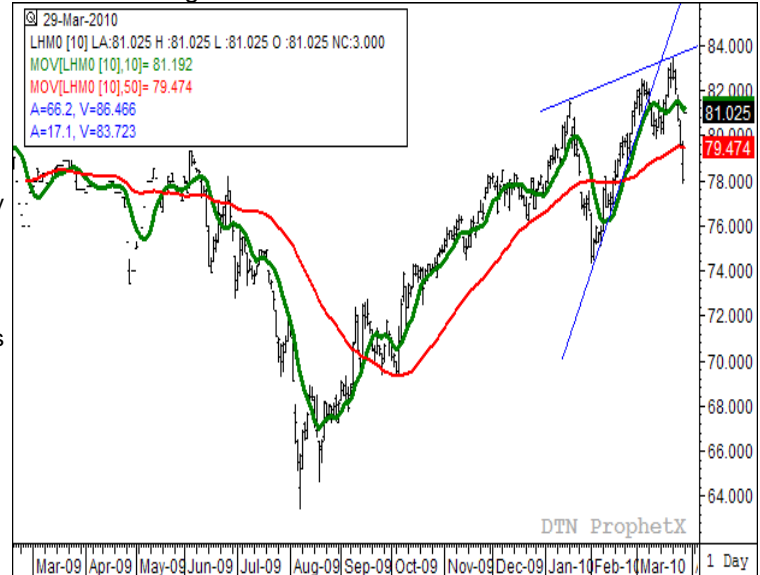
CME Group Lean Hogs and Pork Bellies futures reacted to Friday's USDA Hogs and Pig Report pretty much as expected today with Lean Hogs contracts for May through December and Pork Bellies contracts for May through August gaining the daily limit of \$3.00/cwt. The nearby April LH contract was \$2.20 higher at \$71.875 and moved back above its 10-day moving average. May, August and October LH covered gaps created by last week's sell-off and contracts for December 2010 through April 2011 all made contract life highs. And the rally may not be over. We have heard no speculation of a second limit up move tomorrow but Friday's report contained some very unexpected low numbers that could well provide more strength on Tuesday given Monday's limit gains. Resistance off of the January and mid-March highs will test the rally in summer LH contracts in the \$84 area.

The bullish news from Friday's report and the LH and PB pits was good news for cattle sellers as well. April through August Live Cattle futures were \$1.33 to \$1.55/cwt higher, ending, at least for now, a week-long, roughly \$4/cwt. sell-off. October and December contracts, whose prices had actually reversed last Wednesday, gained \$1.43 and \$0.90/cwt., respectively. Feeder Cattle futures for April through October gained \$1.15 to \$1.75/cwt. The gain left all 2010 contracts poised to take out the contract life highs set on March 19 for the April through October and March 22 for the November contract.

This week's versions of the blockbuster USDA report will be the Grain Stocks and, especially, the Prospective Plantings reports to be released Wednesday morning. Okay, blockbuster is probably a bit too much hyperbole but the Plantings report is really our first official look toward 2010 grain output potential. It's Biblical — you will not reap what you do not sow. That is, in fact, the converse of the Biblical version but, none the less, it is true: No acre will be harvested that is not first planted. And the next issue is to answer the question "Planted to what?"

The results of DowJones' pre-report survey of analysts regarding both reports appear at right. Analysts expect the decline in wheat acres to favor corn more than it does soybeans. On its face, that seems a logical result of year's large South American soybean crop. A major question is whether there is enough prospective value in corn to elicit the gain in acres expected by analysts. On March 30, 2009, new-crop December corn was priced at 47.9% of new-crop November soybeans. As of today, Dec corn is priced at 41.7% of Nov soybeans. Many other factors such as fertilizer costs, chemical costs, seed availability and cost and planting season weather will impact the "Corn or soybeans?" decision but the present price ratio certainly favors beans where flexibility exists. There is a reason some analysts are not expecting more corn acres this spring. While soybeans are important to livestock producers, corn remains their primary plantings concern given its prominent place as an energy source for livestock and growing corn ethanol production to meet higher federal mandates.

June Lean Hogs



PRE-REPORT ESTIMATES -- MARCH 31 USDA REPORTS

Prospective Plantings

Crop	Range	Average	2009	Change	Pct Change
			(Million Acres)		
Corn	87.00 - 90.15	88.941	86.50	2.441	2.8%
Soybeans	77.43 - 79.50	78.550	77.50	1.050	1.4%
All Wheat	51.90 - 54.90	53.325	59.10	(5.775)	-9.8%
Winter Wheat	37.10 - 37.90	37.319	43.30	(5.981)	-13.8%
Spring Wheat	12.80 - 14.00	13.558	13.30	0.258	1.9%
Durum	2.30 - 2.60	2.470	2.60	(0.130)	-5.0%
Cotton	10.20 - 10.60	10.440	9.15	1.290	14.1%
TOTAL		231.256	232.250	-0.994	-0.4%

Grain Stocks -- March 1

Crop	Range	Average	2009	Change	Pct Change
			(Billion Bushels)		
Corn	7.318 - 7.758	7.505	6.95	0.551	7.9%
Soybeans	1.160 - 1.270	1.207	1.30	(0.095)	-7.3%
Wheat	1.332 - 1.398	1.364	1.04	0.324	31.2%

Source: DowJones

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