

Daily Livestock Report

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USDA's Prospective Plantings and Grains Stocks reports, released this morning hit CME Group grain futures with a jolt today. Lower-than-expected planted acres for corn and soybeans were overshadowed by higher-than-expected grain stocks and corn and soybean futures were under pressure all day. Wheat futures fell on news that 502,000 more acres had been planted to wheat than analysts expected. Corn futures were 6-10 cents lower. Old-crop soybean futures were 17 to 33 cents/bushel lower and new-crop beans were all roughly 8 cents/bushel lower. Old-crop soybean mea fell by \$10 to \$17/ton — exceeding a 50% retracement of the rally that began back on March 12. Chicago wheat futures fell by 20 cents/bushel. Today's close marked a two-week low for soybeans and the lowest corn futures prices since early last September — BEFORE the 2009 harvest really got started. It was a rough day for long grain positions.

Soybean acres are estimated to be 0.8% higher than last year but USDA's estimated 78.098 million acres was roughly 500,000 lower than the average of pre-report estimates. In fact, those 78 million acres of soybean should be plenty to produce a crop that will break last year's record of 3.32 billion bushels — assuming, of course, that weather conditions are favorable. Soybeans in storage on March 1 (1.270 billion bushels — the red line on the chart at right) were 2.4% lower than last year but significantly higher than analysts expected, setting off today's sell-off.

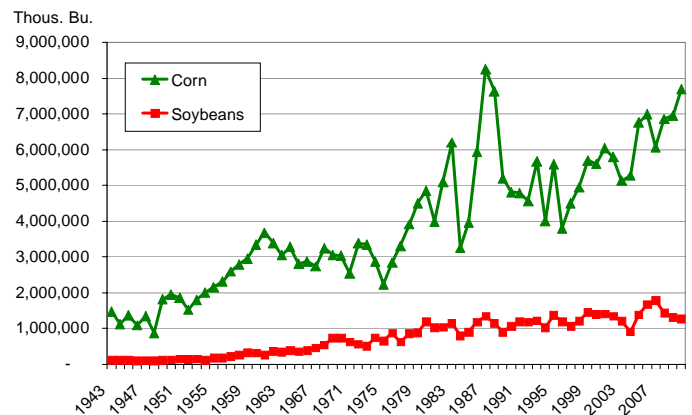
The 88.8 million acres of corn that USDA expects to be planted is also sufficient to produce a crop to break last year's record of 13.151 billion bushels. But unlike soybeans, March 1 corn stocks were significantly larger (11%) than one year ago and were, in fact, the second largest ever and the largest since 1987.

An aside on those HUGE stocks in the 1980s — The U.S. non-recourse loan and target price policies of the 1970s encouraged high levels of output and stocks began to build. Those stocks came in handy in 1983-84 after dry conditions in 1983 cut the U.S. corn crop by 50% from the level of 1982. But better weather in '85 and '86 pushed corn stocks to the point where year-end stocks to use ratios were over 60%! Most of those stocks were owned by the government since prices were below the loan rate and producers forfeited the grain rather than repay the federal loans. Enter the Payment-In-Kind program where producers received grain as federal program payments. That program — and the drought of 1988 — pulled corn inventories back to much more reasonable levels. March 1 stocks have grown in recent years as corn production has increased but they represent a lower proportion of total supply than in the 1980s. This year's increase was larger than expected and symptomatic of slower exports and, quite possibly, lower feed usage — a factor that may be larger than expected given Friday's Hogs and Pigs Report.

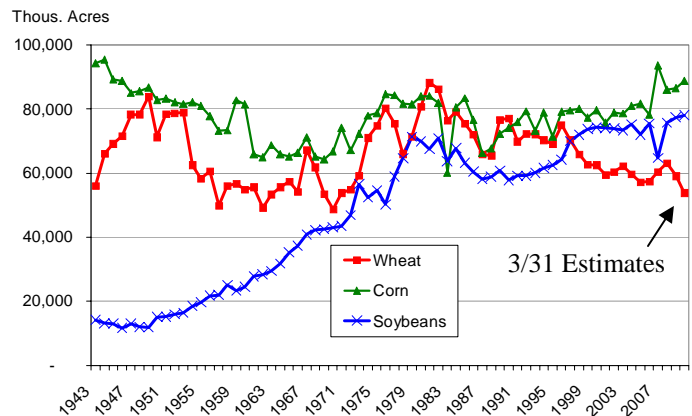
Planted acres continue to trend higher for corn and soybeans and decline sharply for wheat which will see the lowest number of planted acres since 1971. To underscore the magnitude of these changes, Reuters reporter Charles Abbott pointed out today that, for the first time ever, Kansas farmers will plant more corn than wheat — a testament to relative profitability and the capabilities of new corn hybrids with enhanced traits. And remember that the number of acres that actually get planted to corn and soybeans usually increases from the March planting intentions.

The big caveat is this, though: We are now 22 years removed from the last drought (1988) that severely impacted national yields. Dr. Elwyn Taylor of Iowa State tells us that Cornbelt droughts occur in an 18-year cycle. So we are due. There remains plenty of risk for the 2010 corn and soybean crops!

MARCH 1 GRAIN STOCKS



PLANTED ACRES



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