

Daily Livestock Report

Vol. 8, No. 240, December 13, 2010

USDA's December World Agricultural Supply and Demand Estimates, released on Friday, contained slightly higher projected year-end stocks for corn and lower projected year-end soybean stocks with neither number differing dramatically from the average of analysts forecasts that were published earlier in the week. USDA's December supply and utilization data for both crops appears on page 3.

Corn analysts had expected, on average, a slight reduction in projected year-end corn stocks but the report raised that estimate by 5 million bushels. That change was driven by a 5 billion bushel increase in projected corn imports from Canada. No other number in USDA's S & U table changed and USDA left its forecast national weighted average farm price at \$4.80 to \$5.60 per bushel. Though slightly higher, the projected year-end stocks-to-use ratio for corn remains at 6.2%, the second lowest ever. The corn price is expected to increase from last year's \$3.55/bushel in response to the decline in projected year-end stocks-to-use ratio from 13.1% in 2010. These changes reflect the expected negative relationship between quantity and price. However, note the difference between this year's forecast price and that of 1995-96 when the stocks-to-use ratio was at 5%, its lowest level ever. The large difference between the forecast 2010-11 price and the 1995-96 price even with a higher stocks-to-use ratio indicates that corn demand is dramatically higher now than it was in pre-ethanol days.

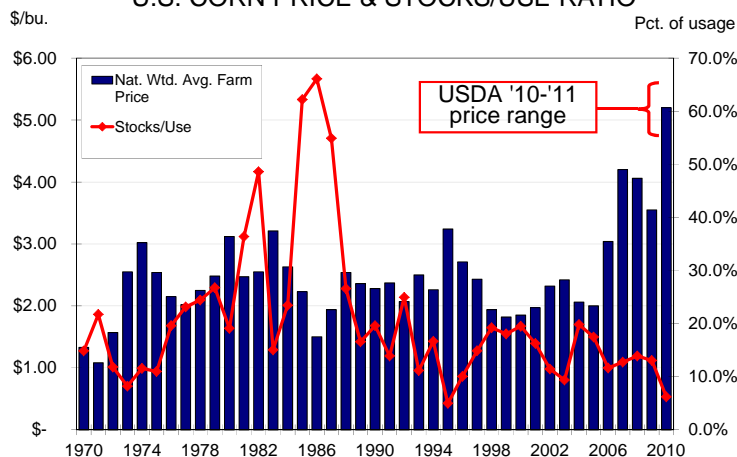
Global coarse grain (corn, sorghum (milo), oats, barley, rye and millet) supply was increased by 3.4 million tons in 2011 with corn, barley and oats production accounting for 2.2 million, 0.6 million tons and 0.4 million tons, respectively, of that increase. India was the primary driver of the higher corn production number, rising 1.0 million tons from the October estimate.

USDA did reduce projected soybean carry-out stocks by 20 million bushels to 165 million bushels. The reduction was due to a 20 million bushel increase in projected soybean exports, a very reasonable change we think given the rapid pace of exports since September 1. The reduction in projected carryout stocks pushed the year-end stock-to-use ratio for soybeans down to 4.9%, the 5th lowest ever. Here again, a modestly higher stocks-to-use ratio is accompanied by a higher price reflecting the strength of soybean demand.

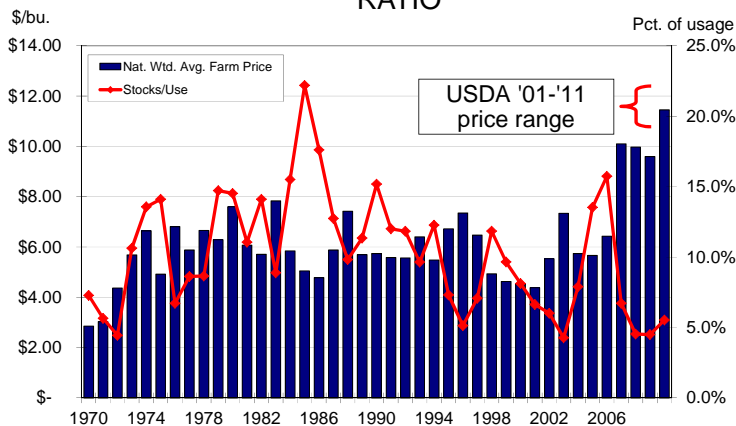
Friday's other piece of major news for grains and feed costs is that the compromise tax bill includes a 1-year extension of the ethanol blenders' tax credit (BTC), the ethanol import tariff as well as the revival of the \$1/gallon bio-diesel tax credit. The first two were set to expire on December 31. The biodiesel credit expired at the end of 2009 and we understand that its reinstatement is retroactive, meaning that biodiesel producers can collect the credit on production back to the beginning of 2010. The extension for the BTC and tariff leave them at \$0.45 and \$0.54/gallon, respectively. The tax bill is expected to pass the Senate but faces an uncertain future in the House where liberal Democrats have vowed to fight it in spite of the support of President Obama.

To us, the most important facet of this deal is its timing. The 2012 run for the White House will begin with the Iowa Caucuses on February 6, 2012. This one-year extension will put the next round of ethanol debates squarely in the middle of the campaigns for those causes. Will anyone be bold enough to oppose the ethanol incentives during their presidential campaign launch?

U.S. CORN PRICE & STOCKS/USE RATIO



U.S. SOYBEAN PRICE & STOCKS/USE RATIO



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PRODUCTION AND PRICE SUMMARY

Week Ending

12/11/2010

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	674	679	-0.74%	617	9.26%	31,925	2.4%
A	FI Cow Slaughter	Thou. Head	114.4	143.9	-20.52%	101.7	12.47%	5,890	4.3%
T	Avg. Live Weight	Lbs.	1313	1297	1.23%	1300	1.00%	1,280	-1.2%
T	Avg. Dressed Weight	Lbs.	783	781	0.26%	783	0.00%	772	-1.6%
L	Beef Production	Million Lbs.	525.7	528.3	-0.49%	481.7	9.13%	24,564	-54.8%
E	Live Fed Steer	\$/cwt live wt.	100.84	102.61	-1.70%	79.20	27.30%		
	Dressed Steer	\$/cwt carcass	160.85	164.30	-2.10%	127.52	26.10%		
	OKC Feeder Steer	600-700 Lbs.	122.72	120.86	1.54%	95.58	28.40%		
	Beef Cutout	600-750 Choice	164.40	163.01	0.90%	136.08	20.80%		
	Hide/Offal	\$/cwt live wt.	12.08	12.00	0.10%	9.80	23.30%		
H	FI Slaughter	Thou. Head	2257	2329	-3.09%	2233	1.06%	103,191	-3.5%
O	FI Sow Slaughter	Thou. Head	40.9	62.6	-34.68%	42.5	-3.76%	2,730	-8.7%
G	Avg. Dressed Weight	Lbs.	208	208	0.00%	203	2.46%	204	0.4%
S	Pork Production	Million Lbs.	468.8	483.7	-3.08%	452.8	3.53%	21,005	-3.1%
	Iowa-S. Minn. Direct	Avg.	66.00	66.42	-0.60%	62.66	5.30%		
	Natl. Base Carcass Price	Weighted Avg.	67.59	66.89	1.10%	60.34	12.00%		
	Natl. Net Carcass Price	Weighted Avg.	69.65	68.95	1.00%	62.57	11.30%		
	Pork Cutout	185 Lbs.	78.10	77.51	0.80%	67.25	16.10%		
C	Young Chicken Slaughter*	Million Head	164.29	129.23	27.13%	160.22	2.54%	7,738	2.4%
H	Avg. Weight	Lbs.	5.86	5.76	1.74%	5.73	2.27%	5.6	1.4%
I	Chicken Production	Million Lbs.	962.7	744.4	29.34%	918.1	4.86%	32,324	3.9%
C	Eggs Set	Million	204.0	206.2	-1.08%	201.3	1.35%	10,064	2.6%
K	Chicks Placed	Million Head	168.6	164.7	2.35%	166.3	1.38%	8,289	1.8%
E	12-City Broiler	Composite	79.28	80.24	-1.20%	71.93	10.20%		
N	Georgia Dock Broiler	2.5-3 Lbs.	84.87	84.93	-0.10%	81.33	4.40%		
T	Young Turkey Slaughter*	Million Head	4.63	2.57	79.99%	4.75	-2.50%	215.9	-1.9%
U	Avg. Weight	Lbs.	29.74	30.82	-3.50%	28.47	4.46%	29.3	1.3%
R	Turkey Production	Million Lbs.	137.8	79.3	73.68%	135.3	1.84%	5,038	-0.5%
K	Eastern Region Hen	8-16 Lbs.	98.88	95.12	4.00%	85.68	15.40%		
F	Corn, Omaha	\$ per Bushel	5.53	5.32	4.05%	3.51	57.77%		
E	DDGS, Minnesota	\$ per ton	148.50	145.00	2.41%	110.00	35.00%		
E	Wheat, Kansas City	\$ per Bushel	7.45	7.35	1.36%	4.59	62.31%		
D	Soybeans, S. Iowa	\$ per Bushel	12.80	12.80	0.00%	9.78	30.90%		
	SB Meal, 48% Central Illinois	\$ per Ton	341.70	346.70	-1.44%	399.50	-14.50%		

* 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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U.S. CORN SUPPLY AND UTILIZATION - DECEMBER

		2008/09	2009/10		2010/11			
			USDA, Oct	% Chng. vs '08-'09	USDA Nov	USDA Dec	% Chng vs. Nov	% Chng vs. '09-'10
Acres Planted	Mil A	86.0	86.5	0.6%	88.2	88.2	0.0%	2.0%
Acres Harvested	Mil A	78.6	79.6	1.3%	81.3	81.3	0.0%	2.1%
Yield	Bu/A	153.9	164.7	7.0%	154.3	154.3	0.0%	-6.3%
Beginning Stocks	Mil Bu.	1624	1673	3.0%	1708	1708	0.0%	2.1%
Production	Mil Bu.	12092	13110	8.4%	12540	12540	0.0%	-4.3%
Imports	Mil Bu.	14	8	-42.9%	10	15	50.0%	87.5%
Total Supply	Mil Bu.	13729	14792	7.7%	14257	14262	0.0%	-3.6%
Non-Ethanol FSI	Mil Bu.	1316	1370	4.1%	1380	1380	0.0%	0.7%
Ethanol for fuel	Mil Bu.	3709	4568	23.2%	4800	4800	0.0%	5.1%
Feed & Residual	Mil Bu.	5182	5159	-0.4%	5300	5300	0.0%	2.7%
Exports	Mil Bu.	1849	1987	7.5%	1950	1950	0.0%	-1.9%
Total Usage	Mil Bu.	12056	13084	8.5%	13430	13430	0.0%	2.6%
Carryover	Mil Bu.	1673	1708	2.1%	827	832	0.6%	-51.3%
Stocks/Use		13.9%	13.1%	-5.9%	6.2%	6.2%	0.6%	-52.5%
Nat. Wtd. Avg. Farm Price	\$/Bu.	4.06	3.55	-11.3%	4.80-5.60	4.80-5.60	4.0%	46.5%

U.S. SOYBEAN SUPPLY & UTILIZATION - DECEMBER

		2008/09	2009/10		2010/11			
			Est.	USDA, Nov	% Chng vs '08-'09	USDA, Nov	USDA, Dec	% Chng vs Nov
Acres Planted	Mil A	75.7	77.5	2.4%	77.7	77.7	0.0%	0.3%
Acres Harvested	Mil A	74.7	76.4	2.3%	76.8	76.8	0.0%	0.5%
Yield	Bu/A	39.7	44.0	10.8%	43.9	43.9	0.0%	-0.2%
Beginning Stocks	Mil Bu.	205	138	-32.7%	151	151	0.0%	9.4%
Production	Mil Bu.	2967	3359	13.2%	3375	3375	0.0%	0.5%
Imports	Mil Bu.	13	15	15.4%	10	10	0.0%	-33.3%
Total Supply	Mil Bu.	3185	3512	10.3%	3536	3536	0.0%	0.7%
Crushings	Mil Bu.	1662	1752	5.4%	1665	1665	0.0%	-5.0%
Exports	Mil Bu.	1279	1501	17.4%	1570	1590	1.3%	5.9%
Seed	Mil Bu.	90	90	0.0%	88	88	0.0%	-2.2%
Residual	Mil Bu.	16	18	12.5%	29	29	0.0%	61.1%
Total Usage	Mil Bu.	3047	3361	10.3%	3351	3371	0.6%	0.3%
Carryover	Mil Bu.	138	151	9.4%	185	165	-10.8%	9.3%
Stocks/Use		4.5%	4.5%	-0.8%	5.5%	4.9%	-11.3%	8.9%
Nat. Wtd. Avg. Farm Price	\$/Bu.	9.97	9.59	-8.2%	10.70-12.20	10.70-12.20	6.5%	19.4%
Soybean Oil Price	Cents/lb.	32.16	35.95	11.9%	42.5-46.5	45.0-49.0	7.2%	23.8%
Soybean Meal Price	\$/ton	331.17	311.27	-10.9%	310-350	310-350	6.5%	6.0%

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