

# Daily Livestock Report

Vol. 8, No. 177, September 13, 2010

**USDA's monthly Crop Production and World Supply and Demand Estimates (WASDE) reports, released Friday, estimated a yet smaller U.S. 2010 corn crop but slightly larger-than-expected soybean yields and crop size.** The key yield and production numbers appear at right. Supply and utilization tables for both corn and soybeans appear on page 2.

The reports were bullish for corn prices and bearish for soybeans and soybean meal. CME Corn futures for the 2010 crop rose 7.25 to 7.75 cents on Friday while CME soybean futures declined by 12.5 to 15 cents per bushel. 2010-crop soybean meal closed Friday \$4.40 to \$8.30/ton lower while soybean oil futures prices rose \$0.17/lb.

The most important numbers in Friday's reports are, obviously, USDA estimate of corn yield and production. The projected yield of 162.5 bushels per acre was lower than analysts expected and 2.5 bushels lower than USDA's August estimate. USDA left harvested acres unchanged (a bit of a surprise to us) but the lower yield pushed the estimated 2010 corn crop to 13.160 billion bushels, down 1.5% from the August estimate but 0.4% LARGER than last year and still the LARGEST CORN CROP ON RECORD. Yet the midpoint of USDA's price range is now \$4.40/bu. — the highest ever should it prove correct — primarily due to the lowest projected year-end stocks/use ratio (8.3%) since 1995-96 when corn prices set their last record highs that were unaided by \$140/barrel oil and a worldwide commodities price bubble. The lower projected 2011 stocks/use ratio is the result of several changes, starting with increases for projected 2009-2010 ethanol usage and corn exports. Lower 2010 year-end stocks plus lower 2010 output were the primary factors in a projected 2011 ending inventory of just 1.116 billion bushels, the lowest since 2004.

While U.S. beef, hog and chicken producers have a bit of margin to work with at present, these continuing increases in corn prices are whittling away from them pretty rapidly. Our projected margins for hog producers in 2011, for instance, have dwindled from about \$25/head back in June to just \$7/head now as costs have risen from the low \$60s/cwt. carcass to roughly \$70/cwt. carcass.

**Data for U.S. meat and poultry exports, released also on Friday, showed that July was a good month for beef shipments but a soft one for both pork and chicken exports when compared to last year.** Beef exports totaled 2.049 billion pounds, carcass weight in July, 23% higher than one year ago. The growth was led by significant growth in sales to Korea (+313%) and Russia (+104%) and continued growth in exports to Canada and Japan. Shipments to Mexico were 16% smaller than last year, putting YTD trade there down 28% versus one year ago. But Mexico is the lone YTD sore spot for beef exports as major markets such as Japan (+21%) and Korea (+127%) are higher for the year and trade with Canada, our second largest export market for most of the post-BSE era, is up slightly as well. USDA's "Other" markets (ie, not Canada, Taiwan, Hong Kong, Japan, Mexico, Russia, Korea or Vietnam) continue to grow in importance, ranking fourth this month and year-to-date and growing by 23% versus last July and 17% YTD.

Pork exports in July were 7% smaller than one year earlier — a number that is rather disappointing when compared to double-digit growth in May and June. But remember that shipments to Mexico began to recover from their H1N1-induced decline last July so we are comparing 2010 data to an improving situation in 2009. July shipments to Mexico were only 0.1% larger than last year after increases of 45% and 30% in May and June — primarily due to soft exports last year.

U.S. pork exports are still 5% higher so far in 2010. Trade with all major markets except Russia, China and Korea is higher so far this year with Mexico being the most important growth area in terms of both units and percentage (+24%).

One important number for July is shipments to Japan which were 9% lower than last year. U.S. exports to Japan for April-June (Japan's fiscal first-quarter) were roughly 19% higher than last year, raising the possibility that Japan's safeguard mechanism which increases import tariffs by 23% for the remainder of the fiscal year might be triggered. That is still a possibility but the trigger mechanism is Japan's total imports, not just U.S. exports to Japan. If Q1 shipments do not trigger the safeguard, the July decline likely puts such worries to rest for the remainder of this year.

**Finally — Canada's CanFAX released its monthly report of feedlot inventories in Alberta and Saskatchewan on Friday and the data indicated sharply lower August placements and lower September 1 inventories relative to one year ago.** Alberta and Saskatchewan feedlots held 593,100 head of cattle on September 1, 6.1% fewer than last year. That number was the result of placements numbering 142,300 in August, 18.9% fewer than last year, and marketings that, at 184,700 head, were 4.3% larger than one year ago. Placements of cattle weighing 800-lbs and over were up 1.8% from one year ago while placements of cattle weighing less than 800 pounds were down 61% from last year.

USDA CORN AND SOYBEAN YIELDS AND PRODUCTION					
USDA Crop Production/WASDE -- September 2010					
	2009	2010			Sept USDA
		Aug USDA	Analysts' Estimates*		
			Range	Average	
Corn Production	13.110	13.365	12.880 - 13.410	13.199	13.160
Soybean Production	3.359	3.433	3.354 - 3.500	3.406	3.483
Corn Yield	164.7	165.0	160.0 - 165.9	163.1	162.5
Soybean Yield	44.0	44.0	43.0 - 44.9	43.8	44.7

\*Source: Dow Jones Newswire

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## U.S. CORN SUPPLY AND UTILIZATION - SEPTEMBER

		2008/09	2009/10			2010/11			
			USDA, Aug	USDA, Sept	% Chng. vs '08-'09	USDA Aug	USDA Sept	% Chng vs. Aug	% Chng vs. '09-'10
Acres Planted	Mil A	86.0	86.5	86.5	0.6%	87.9	87.9	0.0%	1.6%
Acres Harvested	Mil A	78.6	79.6	79.6	1.3%	81	81	0.0%	1.8%
Yield	Bu/A	153.9	164.7	164.7	7.0%	165	<b>162.5</b>	-1.5%	-1.3%
Beginning Stocks	Mil Bu.	1624	1673	1673	3.0%	1426	<b>1386</b>	-2.8%	-17.2%
Production	Mil Bu.	12092	13110	13110	8.4%	13365	<b>13160</b>	-1.5%	0.4%
Imports	Mil Bu.	14	8	8	-42.9%	10	10	0.0%	25.0%
Total Supply	Mil Bu.	13729	14791	14791	7.7%	14802	<b>14556</b>	-1.7%	-1.6%
Non-Ethanol FSI	Mil Bu.	1316	1365	1365	3.7%	1390	1390	0.0%	1.8%
Ethanol for fuel	Mil Bu.	3677	4500	<b>4535</b>	23.3%	4700	4700	0.0%	3.6%
Feed & Residual	Mil Bu.	5205	5525	5525	6.1%	5350	<b>5250</b>	-1.9%	-5.0%
Exports	Mil Bu.	1858	1975	<b>1980</b>	6.6%	2050	<b>2100</b>	2.4%	6.1%
Total Usage	Mil Bu.	12056	13365	13405	11.2%	13490	<b>13440</b>	-0.4%	0.3%
Carryover	Mil Bu.	1673	1426	<b>1386</b>	-17.2%	1312	<b>1116</b>	-14.9%	-19.5%
Stocks/Use		13.9%	10.7%	10.3%	-25.5%	9.7%	8.3%	-14.6%	-19.7%
Nat. Wtd. Avg. Farm Price	\$/Bu.	4.06	3.50-3.60	3.50-3.60	-11.3%	3.45-4.05	4.00-4.80	17.3%	23.9%

## U.S. SOYBEAN SUPPLY & UTILIZATION - SEPTEMBER

		2008/09	2009/10			2010/11			
		Est.	USDA, Aug	USDA, Sept	% Chng vs '08-'09	USDA, Aug	USDA, Sept	% Chng vs Aug	% Chng vs '09-'10
Acres Planted	Mil A	75.7	77.5	77.5	2.4%	78.9	78.9	0.0%	1.8%
Acres Harvested	Mil A	74.7	76.4	76.4	2.3%	78.0	78.0	0.0%	2.1%
Yield	Bu/A	39.7	44.0	44.0	10.8%	44.0	44.7	1.6%	1.6%
Beginning Stocks	Mil Bu.	205	138	138	-32.7%	160	<b>150</b>	-6.3%	8.7%
Production	Mil Bu.	2967	3359	3359	13.2%	3433	<b>3483</b>	1.5%	3.7%
Imports	Mil Bu.	15	15	15	0.0%	10	10	0.0%	-33.3%
Total Supply	Mil Bu.	3187	3512	3512	10.2%	3603	3643	1.1%	3.7%
Crushings	Mil Bu.	1662	1750	1750	5.3%	1650	1650	0.0%	-5.7%
Exports	Mil Bu.	1280	1470	<b>1495</b>	16.8%	1435	<b>1485</b>	3.5%	-0.7%
Seed	Mil Bu.	95	92	92	-3.2%	88	88	0.0%	-4.3%
Residual	Mil Bu.	11	41	26	136.4%	67	70	4.5%	169.2%
Total Usage	Mil Bu.	3049	3353	<b>3363</b>	10.3%	3243	<b>3293</b>	1.5%	-2.1%
Carryover	Mil Bu.	138	160	<b>150</b>	8.7%	360	<b>350</b>	-2.8%	133.3%
Stocks/Use		4.5%	4.8%	<b>4.5%</b>	-1.5%	11.1%	<b>10.6%</b>	-4.3%	138.3%
Nat. Wtd. Avg. Farm Price	\$/Bu.	9.97	9.60	<b>9.60</b>	-8.2%	8.50-10.00	9.15-10.00	9.5%	-0.2%
Soybean Oil Price	Cents/lb.	32.16	35.50	35.75	11.9%	36.5-40.5	37.5-41.5	2.6%	11.3%
Soybean Meal Price	\$/ton	331.17	310.00	310.00	-10.9%	250-290	270-310	7.4%	-6.5%

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## PRODUCTION AND PRICE SUMMARY

	Item	Units	Current		Pct. Change	Week Ending		9/11/2010	
			Week	Last Week		Last Year	Pct. Change	YTD	Pct. Change
C	FI Slaughter	Thou. Head	583	672	-13.24%	660	-11.69%	23,339	1.5%
A	FI Beef Cow Slaughter	Thou. Head	69.8	67.2	3.82%	59.9	16.52%	2,352	10.8%
T	Avg. Live Weight	Lbs.	1278	1276	0.16%	1316	-2.89%	1,272	-1.5%
T	Avg. Dressed Weight	Lbs.	777	778	-0.13%	801	-3.00%	768	-1.9%
L	Beef Production	Million Lbs.	451.8	521.2	-13.32%	448.2	0.80%	17,855	-0.4%
E	Live Fed Steer	\$/cwt live wt.	96.92	96.43	0.50%	84.01	15.40%		
	Dressed Steer	\$/cwt carcass	152.90	152.69	0.10%	130.33	17.30%		
	OKC Feeder Steer	600-700 Lbs.	#N/A	117.54	#N/A	#N/A	#N/A		
	Beef Cutout	600-750 Choice	160.84	163.12	-1.40%	142.12	13.20%		
	Hide/Offal	\$/cwt live wt.	10.92	10.81	-2.70%	9.46	15.40%		
H	FI Slaughter	Thou. Head	1917	2113	-9.28%	2048	-6.39%	73,871	-4.4%
O	FI Sow Slaughter	Thou. Head	58.2	56.2	3.68%	71.3	-18.34%	1,967	-8.5%
G	Avg. Dressed Weight	Lbs.	200	200	0.00%	202	-0.99%	203	0.0%
S	Pork Production	Million Lbs.	382.2	422	-9.43%	413.6	-7.59%	14,960	-4.5%
	Iowa-S. Minn. Direct	Avg.	81.18	78.24	3.70%	50.60	60.40%		
	Natl. Base Carcass Price	Weighted Avg.	78.30	78.55	-0.30%	52.11	50.30%		
	Natl. Net Carcass Price	Weighted Avg.	81.00	81.32	-0.40%	54.12	49.70%		
	Pork Cutout	185 Lbs.	90.38	91.78	-1.50%	54.06	67.20%		
C	Young Chicken Slaughter*	Million Head	165.57	165.74	-0.10%	165.57	0.00%	5,643	2.2%
H	Avg. Weight	Lbs.	5.49	5.49	0.00%	5.46	0.55%	5.6	1.0%
I	Chicken Production	Million Lbs.	909.0	909.9	-0.10%	904.0	0.55%	23,361	3.3%
C	Eggs Set	Million	203.2	206.1	-1.36%	195.6	3.90%	7,446	1.9%
K	Chicks Placed	Million Head	169.8	170.6	-0.47%	167.1	1.59%	6,130	1.0%
E	12-City Broiler	Composite	85.09	85.62	-0.60%	73.99	15.00%		
N	Georgia Dock Broiler	2.5-3 Lbs.	87.25	87.27	0.00%	84.14	3.70%		
T	Young Turkey Slaughter*	Million Head	4.58	4.75	-3.64%	4.58	0.00%	153.0	-4.0%
U	Avg. Weight	Lbs.	28.54	28.42	0.42%	28.54	0.00%	29.5	1.7%
R	Turkey Production	Million Lbs.	130.6	134.9	-3.24%	130.6	0.00%	3,605	-2.0%
K	Eastern Region Hen	8-16 Lbs.	99.79	99.49	0.30%	77.17	29.30%		
F	Corn, Omaha	\$ per Bushel	4.17	3.96	5.18%	3.12	33.49%		
E	DDGS, Minnesota	\$ per ton	114.00	112.50	1.33%	72.50	57.24%		
E	Wheat, Kansas City	\$ per Bushel	6.67	6.64	0.45%	4.26	56.57%		
D	Soybeans, S. Iowa	\$ per Bushel	10.54	10.29	2.43%	10.49	0.40%		
	SB Meal, 48% Central Illinois	\$ per Ton	327.00	329.20	-0.67%	414.00	-21.00%		

\* 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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