

USDA RAISES PRODUCTION FOR BEEF AND PORK FORECASTS HIGHER MILK AND CHEESE PRICES FOR 2010

Compared to the October report, cattle producers for 2009 are projected to raise more beef, but exports will help offset the increases. Unfortunately hog producers are being hit from both sides with production increases and decreases in exports for 2009, but get a reprieve in 2010 with a decrease in pork and increases in exports.

Beef Production for 2009 was raised to 25.976 billion pounds from 25.907 billion and 2010 production was increased to 25.612 billion pounds from 25.502 billion pounds. Fortunately beef exports are expected to increase for 2009 from 1.730 billion to 1.825 billion and for 2010 from 1.845 billion to 1.925. Not only did the USDA raise exports from last month but exports for 2010 will go from 1.825 billion pounds to 1.925 and beef production will decrease in 2010 from 25.907 in 2009 to 25.612 in 2010. This should at least be mildly supportive for cattle into 2010 especially if grain prices continue to move higher adding to feed costs.

Pork producers are increasing production and will see fewer exports for 2009 but for 2010 production and exports are projected to be the same as last month's report. For 2009 pork production is projected to be 25.976 billion pounds up from 25.907 billion and exports are decreasing to 4.135 from 4.160 billion pounds. For 2010 production is expected to be unchanged at 22.455 billion and exports are projected to be at 4.450 billion lbs the same as last month's report. Total pork production from 2009 to 2010 will decrease into 2010 from 25.907 to 22.455 and exports will increase from 4.160 in 2009 to 4.450. For hog producers, the remainder of 2009 looks weak and sometime by late spring to mid summer 2010, prices should rebound.

November 11, 2009

The USDA announced that it was buying an additional \$50 million of pork and is destined for the federal assisted nutritional program. Giving away the pork will not support prices at the retail level or do much to alleviate the glut because the people who undoubtedly need the assistance would not be buying the higher end cuts of pork. It will take pounds away, but will do little

USDA reported last week's average Iowa-Southern Minnesota average hog weight at 271.3 lbs, up from 270.4 lbs previous week and 267 lbs last year. During the summer pork producers could use the excuse that the cooler weather in July and August helped the rate of gain. However, using the excuse during the fall shouldn't be used. Average weights of 4.3 pounds more than last year will essentially wipe out the \$50 million the USDA is using to buy pork off the market. If the average weekly kill is 2.1 million averaging 270 pounds, the additional 4.3 pounds is similar to an extra 33,440 hogs/week or almost 7.5 million more pounds of pork per year.

If somebody at the USDA looks at what the additional \$50 million is buying, they might want their money returned.

Culling of cows has helped the dairy industry. (Maybe hog producers should note what happens when liquidation takes place.) The USDA forecast 2010 cheese price at \$1.600 to \$1.690, up from \$1.515 to \$1.605 projected in October.

Chart at 1:35 pm 11/11/09



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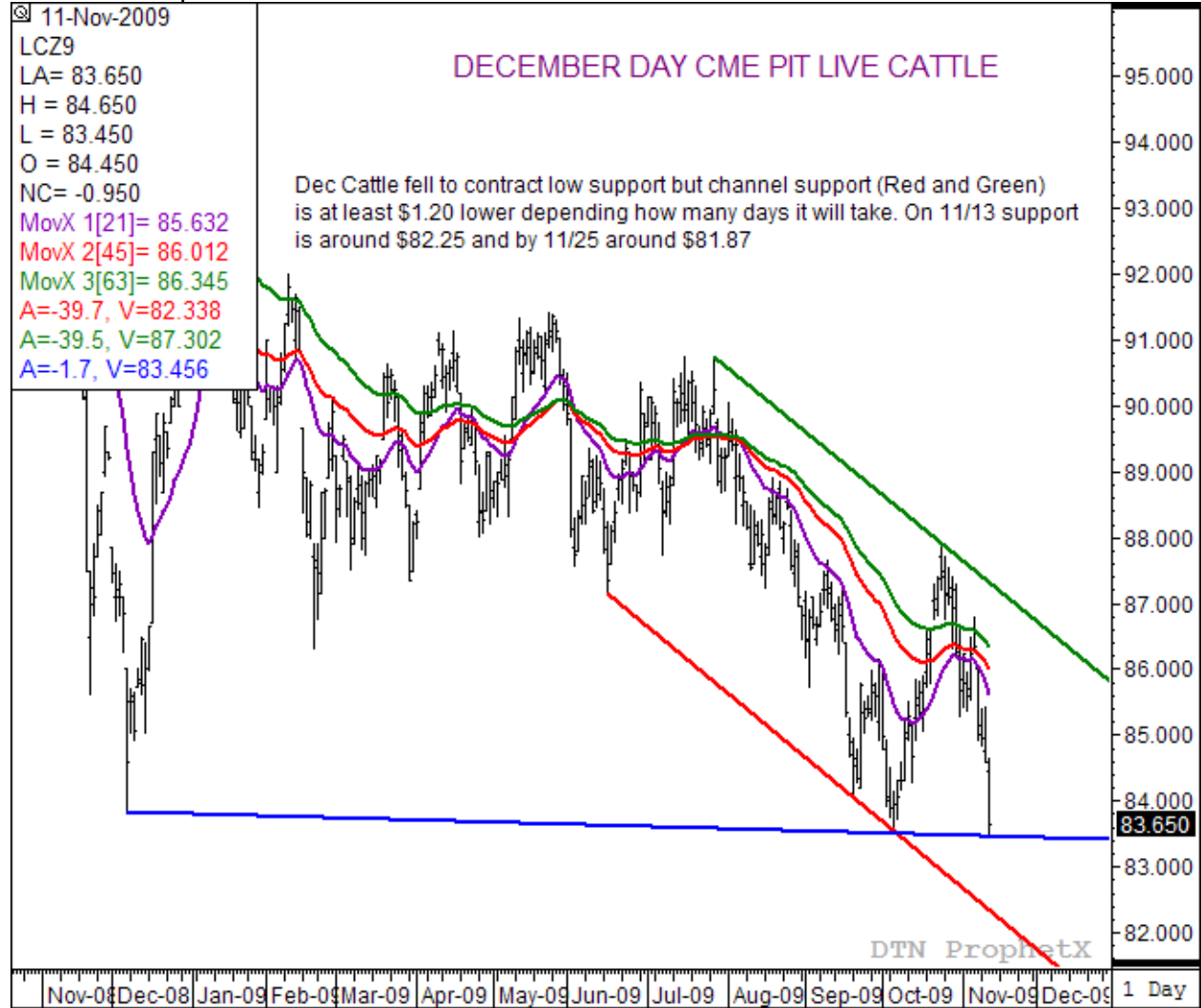


Chart at 1:43 pm 11/11/09



Please call with any comments or questions

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