



Will the livestock industry return to profitability in 2010?

By Sara Wyant

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Seattle, WA. Jan. 11. There are good reasons to be optimistic regarding where the livestock markets are headed as we move through 2010, according to John Anderson, an Extension livestock economist with Mississippi State University. Speaking at the American Farm Bureau Federation's 91st annual meeting, Anderson said that weak 2009 profit margins for producers of beef, pork and poultry led to reductions in supply as 2010 began, which means a more favorable supply situation. However, questions still remain on the demand side of the equation.

"We really need help on the demand side and there are signs of improvement," Anderson said. "This year is shaping up to be one of the best years for livestock and poultry

U.S. Corn Supply-Demand		
	2009/10*	2010/11**
	Million acres	
Planted	86.4	90.0
Harvested	79.3	83.0
	Bushels per acre	
Yield	162.9	163.0
	Million bushels	
Beginning stocks	1,674	1,675
Production	12,921	13,529
Imports	10	10
Supply, total	14,605	15,214
Feed & Residual	5,400	5,400
FSI less ethanol	5,480	5,980
Ethanol	4,200	4,700
Domestic, total	10,880	11,380
Exports	2,050	2,000
Use, total	13,030	13,380
Ending stocks, total	1,675	1,834
Avg. farm price (\$/bu)	3.55	3.40
Stocks/use ratio	13.0%	13.7%
* USDA December WASDE		
** AFBF Estimates		

producers in several years but this will depend on healthy demand supported by a recovering economy," Anderson concluded.

Anderson said demand recovery already has started, but market participants must be convinced that the recovery is real. In addition to improving prices, livestock producers should see better profit margins in 2010.

"Feed grain prices remain historically high but have stabilized in recent months. Increasing grain and oilseed stocks have reduced some of the pressure on grain prices that has been the dominant feature of those markets since late 2006," Anderson said.

"There are good reasons for cautious optimism regarding feed prices, but volatility may continue to be an issue," he cautioned.

In a separate presentation, recently retired the American Farm Bureau Federation's recently retired economic analyst, Terry Francl, predicted that the average prices for corn and soybeans would be lower this year, providing additional relief to the livestock sector.

As the charts above and below illustrate, Francl predicts that the average corn price for the year will drop to \$3.40/bu. from \$3.55/bu. Average soybean prices are also expected to decline from an average of \$9.50 to \$8.50/bu.

U.S. Soybean Supply-Demand		
	2009/10*	2010/11**
	Million acres	
Planted	77.5	77.0
Harvested	76.6	76.0
	Bushels per acre	
Yield	43.3	43.5
	Million bushels	
Beginning stocks	138	255
Production	3,319	3,306
Imports	8	10
Supply, total	3,465	3,571
Crushings	1,695	1,675
Exports	1,340	1,225
Seed & Residual	175	170
Use, total	3,210	3,070
Ending stocks, total	255	501
Avg. farm price (\$/bu)	9.50	8.50
Stocks/use ratio	7.9%	16.3%
* USDA December WASDE		
** AFBF estimate		