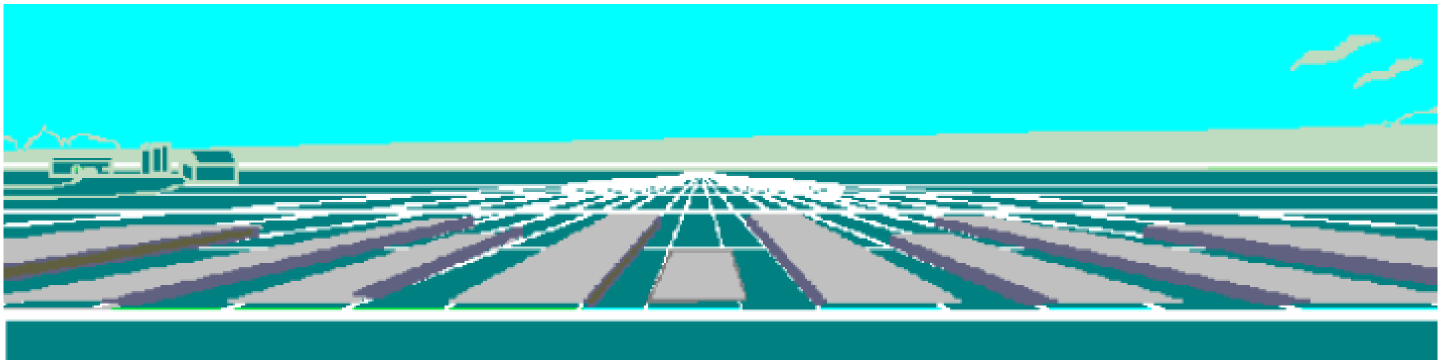
Iowa Farm Outlook



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Record Pork Exports in October

The United States exported 312 million pounds of pork in October, setting a new single month record. This value is 31% larger than last October and brings the year to date exports to 3% higher than the same period in 2006. Pork exports have lagged last year's pace for much of the year, but now look to be on track for another record.

Japan remains the largest export customer for US pork, taking 36% of exports by volume. The US, Denmark and Canada are the primary suppliers to Japan for pork. For January through September of 2007, the US supplied 35% of Japan's total imports, Denmark 21% and Canada 22%. Given the strength of the Canadian dollar relative to the US in recent months, US pork should be a better value for Japanese buyers than Canadian pork.

Mexico and Canada are second and third, with 14% and 12%, respectively. China gained a lot of attention this year for being a growing market for US pork, and exports to China were up 218% compared to October 2006. For the January – October period, China is up 50% from a year ago and has purchased 8% of US exports, similar to South Korea. Hong Kong is another country posting rapid growth, but is in reality small, with only 3% of our exports. Russia had large purchases in October, but is up only 4% on the year.

Table 1. US October Pork Export Summary by Country

	Oct	Jan-Oct	YTD Share
Japan	15%	9%	36%
Mexico	-14%	-28%	14%
Canada	41%	10%	12%
Other	24%	6%	9%
China*	218%	50%	8%
S. Korea	-11%	-8%	8%
Russia	92%	4%	7%
H. Kong	186%	127%	3%
Caribbean	71%	-18%	2%
Total	31%	3%	100%

*Mainland and Taiwan

Exports will be important to net returns in 2008. A new Hogs and Pigs report will be out on Dec. 27, but current estimates are that pork supplies will increase over 2% compared to 2007. Fourth quarter slaughter is considerably larger than was expected in the September report. The question is whether this overrun of hogs will continue or if we will return to expected levels.

Beef Export Picture

US beef exports continue to increase, but are still well below the pre-BSE levels of 2003. October beef exports increased 27%, while Jan-Oct exports increased 27% compared to the same time period in 2006. Thus far in 2007, Mexico is the largest US customer at 493 million pounds or with a 41% market share. This is 5% less than Mexico purchased during Jan-Oct in 2003. Canada purchased 274 million pounds, 37% more than its 2003 level and 23% of US beef exports. Japan was our largest market in 2003 and is now 3rd behind Canada. Its purchases are up dramatically from 2006, but down sharply from 2003. South Korea shows huge percentage increases, but is compared to a near zero base in 2006.

Table 2. US Beef Export Summary by Country

	Change from 2006		US Export	Million Pounds Exports		2007:2003
	Oct	Jan-Oct	Share	2007	2003	change
Japan	45%	303%	11%	134.7	789.1	-83%
Canada	64%	40%	23%	273.8	199.3	37%
Mexico	3%	-11%	41%	492.9	520.6	-5%
S. Korea	13429%	8158%	6%	77.2	494.6	-84%
Caribbean	3%	3%	3%	34.2	17.5	95%
Taiwan	14%	-2%	5%	56.0	40.2	39%
Other	103%	94%	10%	123.4	105.7	17%
Total	36%	27%	100%	1192.1	2167.1	-45%

Beef imports to the US are 2.2% higher than a year ago for the Jan-Oct period. Australia, Canada, New Zealand, and Uruguay are the four largest suppliers of beef to the US and combined, these four provide 84% of US imports. The US is a net importer of beef from Canada, importing 2.5 times more that it exported through the first 10 months of 2007.

Live cattle imports from Canada have increased in 2007. Through the first week of December, feeder cattle imports increased 202,000 head (74%) and slaughter cattle increased nearly 100,000 head (15%). The border opened to cattle over 30 months of age on November 19 and during the first three weeks approximately 10,000 slaughter cows and bulls entered the US. An additional 385 breeding and other cattle (presumably dairy heifers/cows) also entered during this period.

Looking Ahead

Pork supplies are at record levels and are expected to continue to weigh on the market in the weeks ahead. Seasonally, slaughter levels are expected to decline and should add some strength to barrow and gilt prices as weekly slaughter falls below 2.5 million head.

Fed cattle supplies and particularly tight packer margins are causing some packers to reduce their weekly slaughter. The holiday-shortened weeks of Christmas and New Years will also work to reduce wholesale beef supplies and support cutout prices. The risk is that steer carcass weights are at or above record levels and delays will add to weights and remove seller leverage in the market.

John Lawrence

Dr. Robert Wisner Retires from Iowa State University

Dr. Robert Wisner retired December 3 after serving nearly 41 years of as ISU Extension Grain Marketing Specialist. Dr. Wisner is a native of Michigan and earned and Bachelors and Masters of Agricultural Economics from Michigan State University. He earned a PhD of Agricultural Economics from University of Tennessee and joined the Department of Economics in February 1967.

Dr. Wisner's first Iowa Farm Outlook letter was much like his last. He used balance sheets for corn and soybeans, discussed exports and planting intentions. The difference being that soybeans were $2.75 and corn was at $1.24. Since then he has written over 900 newsletters and spoken at over 2200 meetings for producers, peers, and agribusiness.

In addition to his role and title as Extension Grain Marketing Specialist and Professor of Economics, Dr. Wisner also earned the titles of University Professor and Coles Professor of International Agriculture. His title is now Professor Emeritus, and is well deserved.

He plans to continue working part-time in grain marketing after a short break, and with a greater emphasis on biofuels, but will be less accessible to the public than in the past four decades. He will also continue working in grain market analysis through a center affiliated with Colorado State University, and hopefully also part-time at ISU with primary emphasis on biofuels.

We will continue to share with the public Dr. Wisner's analysis from time to time at this web site, including that the *Iowa Farm Outlook* newsletter will continue to be available on the ISU Economics Extension web sites, http://www.extension.iastate.edu/agdm/ and http://www.econ.iastate.edu/outreach/agriculture/default.asp

Grain marketing is a priority for Extension, the College of Agriculture and Life Sciences and the Department of Economics. We have been actively looking for a suitable candidate for over a year, and the formal search for an economist specializing in grain and energy crop marketing is well underway. We will be interviewing candidates for the position in early 2008. In the mean time the grain portion of the Iowa Farm Outlook will be authored by others in the ISU Economics Department. My attempt to inform you of factors shaping the grain market follows. I do not provide analysis other than to say that the USDA has revised their export numbers closer to where Dr. Wisner had projected earlier and that recent private sector acreage forecast for 2008 are also close to his forecast. His work will be missed.

USDA Revises Price Projections Upward

The USDA World Agricultural Supply and Demand Estimates released December 11 provided support to corn markets and, at least temporarily, stalled the new crop soybean market. The report can be found at http://www.usda.gov/oce/commodity/wasde/

Highlights of the report include:

- Projected U.S. wheat ending stocks for 2007/08 are lowered 32 million bushels from November estimates reflecting higher expected domestic use and exports. At 280 million bushels, this year's ending stocks are the lowest in 60 years.
- Projected 2007/08 corn exports were revised upward by 100 million bushels to 2.45 billion bushels, a record, surpassing the previous record of 2.4 billion in 1979/80. As a result, corn carry out is revised downward 100 million bushels and projected prices revised upward $.15/bushel.
- Soybean ending stocks are down 25 million bushels to 185 million, a 68 percent decline from 2006/07. Soybean exports are raised 20 million bushels and crush is raised 5 million bushels. Projected season average soybean prices are revised upward $.75/bushel, soybean meal up $30/ton, and soybean oil prices up $.035/lb.

John Lawrence