

By [Rita Jane Gabbett](#) on 1/14/2013

USDA's World Agricultural Supply and Demand Estimates report on Friday predicted tighter stocks of U.S. corn and prices remaining in the \$6.80 to \$8.00 a bushel range.

USDA forecast by the end of the 2012/13 marketing year, corn stocks would tighten to 602 million bushels, down from 647 million bushels predicted a month ago and below the average traders' guess of 667 million bushels ahead of the report.

Higher expected feed and residual corn use more than offsetting reduced prospects for corn exports, according to USDA. The agency raised its forecast of feed and residual corn use by 300 million bushels on higher expected beef, pork, and poultry production.

BMO Capital Markets analyst Kenneth Zaslow called the report negative for companies like Sanderson Farms, Pilgrim's Pride and Tyson Foods.

"USDA's estimate confirms that chicken producers have not cut production (corn feed and residual use estimate increased 300 million bushels) and corn prices likely will remain onerous over the next several months. Said differently, chicken profits have yet to reach the bottom," Zaslow wrote in a note to investors.

Soybean prices

USDA did, however, slightly drop its soybean price forecasts on larger crop prospects. USDA lowered the projected range for the 2012/13 season-average soybean price by 30 cents at the midpoint and narrowed to \$13.50 to \$15.00 per bushel. The soybean meal price is projected at \$430 to \$460 per short ton, down 10 dollars on both ends of the range.

Beef

USDA raised its 2013 forecast of total red meat and poultry production is raised from last month, reflecting greater beef, pork, broiler, and turkey production.

Beef production is raised from last month based primarily on heavier carcass weights. USDA will release its Cattle report on February 1, providing an indication of producer intentions for heifer retention in 2013 and feeder cattle availability.

Cattle prices for first-quarter 2013 are raised, reflecting current demand conditions for fed cattle.

Pork

USDA's December 28 Quarterly Hog and Pigs report estimated that the pig crop for the last half of 2012 was about the same as 2011, while indicating producers plan to farrow 1 percent fewer sows the first half of 2013 relative

to 2012.

However, continued growth in pigs per litter in 2013 is expected to more than offset the decline in intended farrowings. Coupled with slightly higher expected carcass weights, the 2013 pork production forecast is raised from last month.

Hog prices for 2013 are forecast lower based on larger expected hog supplies.

Poultry

Broiler production is raised as higher forecast broiler prices and lower forecast soybean meal prices are expected to enhance sector profitability.

Hatchery data are pointing toward higher-than-previously forecast production and bird weights have increased.

Turkey production is higher based on current hatchery data and expectations of lower soybean meal costs.

Broiler prices for 2013 are raised from last month on expected demand strength. Turkey prices are lowered as production is forecast higher.