

In response to the PEDv (porcine epidemic diarrhea virus) situation, Mexico announced yesterday that it was blocking imports of live pigs from the United States. While any impediment to U.S. exports is important, this is another example of the importance of context and perspective. We do not believe this move will have any market significance for several reasons:

- The ban does not involve pork muscle cuts or pork variety meats since the disease is not transferred through meat and poses no human health risk.
- The number of live pigs exported to Mexico has declined markedly in recent years. The number did increase to nearly 27,000 head last year but, as can be seen at right, even that level pales in comparison to the 120,000+ per year that were sent to Mexico from 2002 through 2007. Those years' exports included a significant number of slaughter hogs.
- YTD shipments through April numbered only 3758 head, down 35% from the number sent to Mexico during the same period in 2012. Most of these animals were breeding stock headed for Mexican production units.

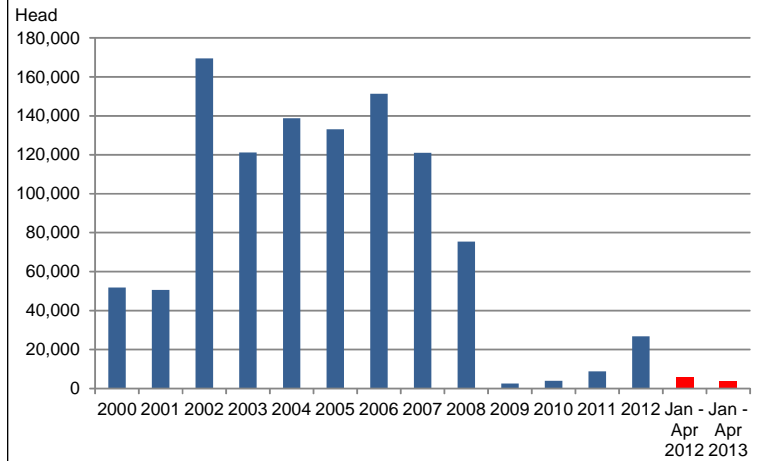
For perspective, the U.S. exported a total of 55,059 head of live pigs in 2012. Mexico was by far the largest single destination for those pigs with China being second. U.S. live hog exports to Canada have generally numbered between 2000 and 6000 per year in recent years with the lion's share being breeding stock.

Bottom Line: Exports of live pigs are important for U.S. breeding stock producers but are not a significant factor in the butcher hog market. This move by Mexico should have little or no impact on market hog prices.

The focus for the corn and soybean markets will now turn to Friday's USDA Acreage and Grain Stocks reports. Trade estimates for corn acres are averaging just over 95 million while soybean acreage estimates are running just under 78 million, on average. Recall that the intentions for those two figures back in March were 97.3 million and 77.1 million, respectively. There is no doubt that some acres have been shifted and that some will not be planted. The big hits will likely come in Minnesota, North Dakota and Wisconsin but there will be a significant reduction in Iowa's corn acres as well.

As for stocks, do the pre-report estimates really matter? Especially for corn? Analysts have not been very close to USDA's stocks numbers the past few quarters but the average trade estimate reported by Reuters last week is 2.845 billion bushels, down 297 million from last year. The range of the estimates was 2.725 billion to 2.952 billion. The deviation of analysts' expectations from recent USDA figures has driven USDA to commission a study of their estimation methods. A news story last week quoted USDA Chief Economist Dr. Joe Glauber as saying he was very concerned about USDA's efforts to estimate off-farm stocks. We believe Dr. Glauber was mis-

LIVE HOG EXPORTS TO MEXICO, ANNUAL



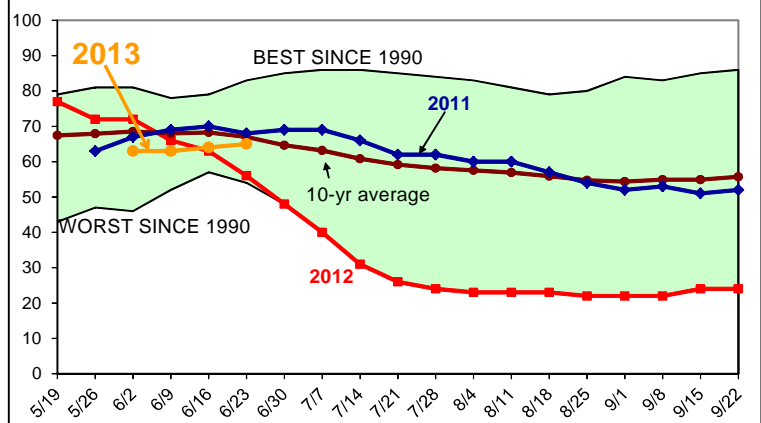
quoted as most of the concern we have heard has been for USDA's estimates of on-farm inventories given the large increase in the amount of on-farm storage now available.

Canada's crop acreage estimates came in quite close to analysts' pre-report estimates. Canada expects wheat planting to cover 26.178 million acres, up 10% from last year. Canola will be planted on 19.738 million acres, 8.3% fewer than last year. And Canada's corn area is expected to grow 2.8% to hit 3.645 million acres.

Finally, the condition of the U.S. corn crop improved again last week with 65% of acres now rated in either good or excellent condition. That figure is up 1% from last week and is 9% higher than last year's rapidly deteriorating condition ratings.

CORN CROP CONDITION

Percent rated Good or Excellent



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