

Iowa's Agricultural Situation

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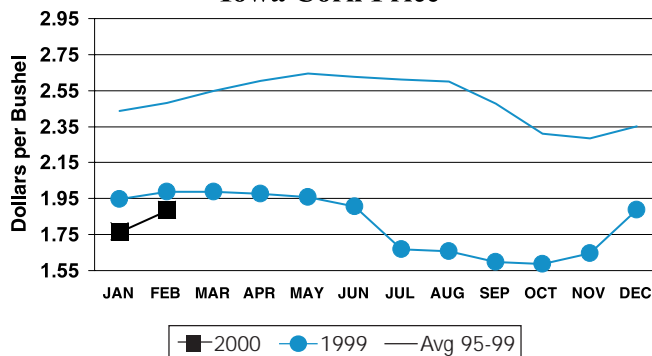
Call it election year politics, or say that the third time is a charm. Either way, instead of waiting for a last-minute dogfight, Congress wrote into the budget a supplemental income assistance package for U.S. producers. With the two previous packages, Congress took a wait-and-see attitude, and did not pass the legislation until the fall of each year. This year, Congress opted to take a more preemptive approach as producers face another year of low commodity prices. (See the related article, "Five-Year Outlook for Iowa Agriculture," on page 8.) The package earmarks \$7.1 billion in assistance to be disbursed before the end of the fiscal year, September 30. It contains \$5.5 billion in direct assistance that most policy watchers agree will come in the form of an addition market transition payment. The remaining \$1.64 billion is put aside for program and specialty crops. Expect disbursements to be similar to the oilseed portion of last year's package.

The grain markets around the state have started to push corn above the \$2.00 per bushel level. The U.S. Department of Agriculture's (USDA) market news quoted closing corn prices around the state for April 24 ranging from \$1.91 to \$2.15 per bushel. It has been 19 months since the monthly average has been above \$2.00 per bushel (see graphs and table). There were no significant changes in this month's USDA supply and demand estimates (see table), so the major market factor is the current dry conditions affecting much of the western Cornbelt. The dryness has allowed producers to get in the field early this year. The planters are starting to roll across the Cornbelt, and the April 24 Crop Progress report indicated 10 percent of Iowa's corn was in the ground, well above the five-year average of 3 percent.

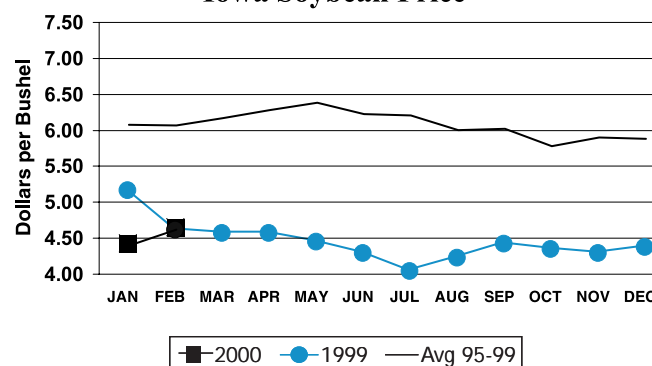
The oilseed markets have been gaining some ground lately. Statewide reporting districts reported local elevator bids closed April 24 above the \$5.00 per bushel level. North Central Iowa elevator bids were between \$5.03 and \$5.08 per bushel. Like with corn, beans have met strong resistance at the \$5.00 level, it has been 13 months since the monthly average has been above \$5.00 per bushel. Weather will continue to play an important roll in short-term price outlooks for oilseeds. Strong exports of raw beans have been supportive to the market, and this has come mainly from increased needs from China. Current Chinese policy favors the importation of the raw commodity, which allows local processors to add value through crushing. As we move through the next few months, it will become harder for old crop U.S. beans to find a market, as

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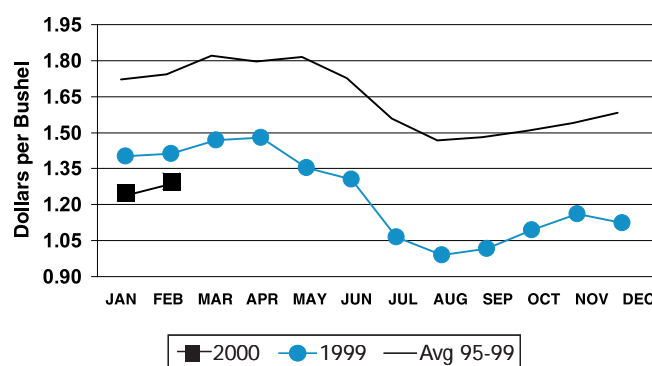
Iowa Corn Price



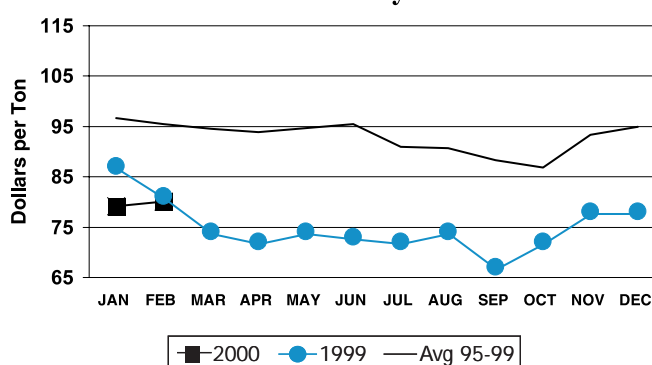
Iowa Soybean Price



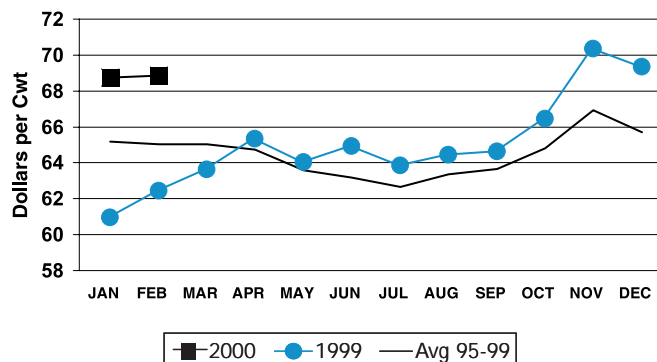
Iowa Oat Price



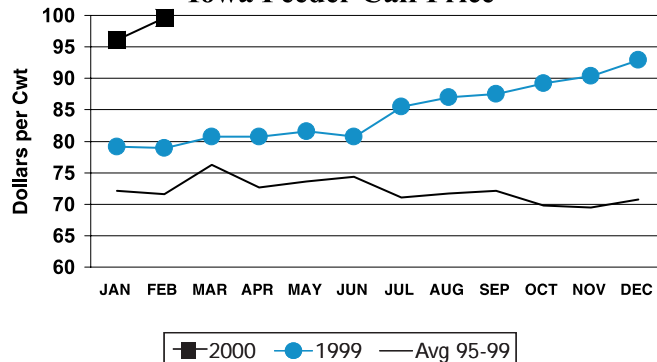
Iowa Alfalfa Hay Price



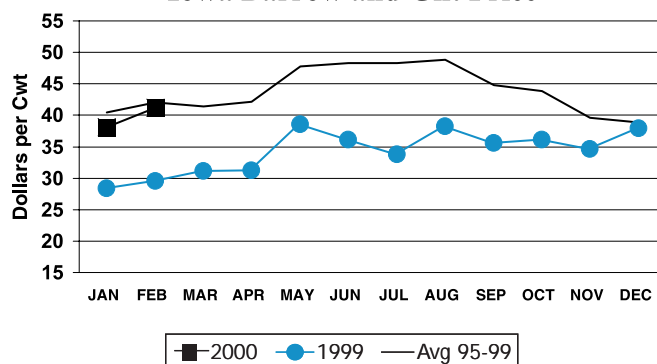
Iowa Steer and Heifer Price



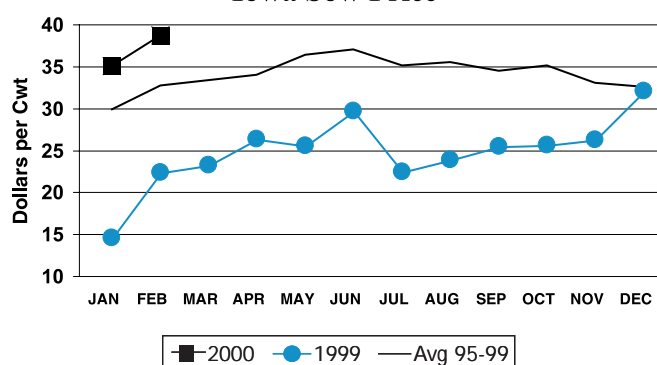
Iowa Feeder Calf Price



Iowa Barrow and Gilt Price



Iowa Sow Price



Iowa Cash Receipts Jan. – Dec. 1999

	1999	1998	1997
<i>(Million Dollars)</i>			
Crops	5,010	6,356	7,311
Livestock	4,831	4,778	5,530
Total	9,841	11,134	12,841

World Stocks-to-Use Ratios

	Crop Year		
	(April Projection) 1999/00	(Estimate) 1998/99	1997/98
<i>(Percent)</i>			
Corn	18.04	18.76	14.95
Soybeans	13.00	15.39	14.56
Wheat	21.07	22.95	23.67

Average Farm Prices
Received by Iowa Farmers

	February* 2000	January 2000	February 1999
<i>(\$/Bushel)</i>			
Corn	1.88	1.76	1.98
Soybeans	4.65	4.43	4.61
Oats	1.30	1.25	1.42
<i>(\$/Ton)</i>			
Alfalfa	80.00	79.00	81.00
All Hay	79.00	77.00	80.00
<i>(\$/Cwt.)</i>			
Steers & Heifers	68.90	68.80	62.50
Feeder Calves	100.00	96.50	79.30
Cows	39.70	37.90	36.20
Barrows & Gilts	41.50	38.50	29.90
Sows	39.10	35.50	22.80
Sheep†	36.40	35.60	27.10
Lambs†	68.20	67.50	60.10
<i>(\$/Lb.)</i>			
Turkeys	0.37	0.35	0.37
<i>(\$/Dozen)</i>			
Eggs	0.49	0.32	0.37
<i>(\$/Cwt.)</i>			
All Milk	11.40	11.10	13.70

*Mid-month

†Estimate

Five-Year Outlook for Iowa Agriculture

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Crop and livestock producers in the United States are facing another challenging year. Prices for corn and soybeans have been hovering at or below cost-of-production levels for more than a year, and large global supplies and a strong U.S. dollar have led to weak export demand, hampering price recovery.

After trimming breeding herd numbers, pork producers are finally able to breathe a sigh of relief as prices for barrows and gilts have risen above break-even levels. Cattle producers continued to reduce inventory numbers and keep feeders busy by placing record numbers of cattle on feed. Cattle prices in 1999 demonstrated real strength, fueled by increased beef demand, the first such increase in 20 years. Congress helped stabilize the farming sector in 1999 with a record \$8.7 billion income assistance package. These recent trends and developments cause

industry professionals, analysts, and policymakers to speculate where agriculture is headed.

Against this backdrop, in January 2000, the Food and Agricultural Policy Research Institute (FAPRI) established its annual baseline projections for crop and livestock commodities produced in the United States and around the globe. An updated outlook for Iowa agriculture was generated from the results of these projections. The outlook period for Iowa is from 2000/01 to 2004/05. This baseline contains policy assumptions consistent with the continuation of the 1996 Farm Bill.

IOWA AND U.S. CROPS

Corn: U.S. producers are projected to trim corn planting to 77.2 million acres in 2000/01, then increase gradually over the period to 80 million acres by 2004/05. Corn trend yields increase over the period causing production to increase from 9.4 billion bushels in the first year to 10.3 billion bushels by the end of the

period. The season-average farm price of corn is projected to increase from \$1.85 per bushel during 1999/00 to \$2.25 per bushel in 2004/05, as overall world supplies remain fairly large.

Iowa corn plantings for 2000/01 are projected to dip to 12.08 million acres initially, then increase to 12.5 million acres by the end of the period. Iowa corn yields continue to be well above average U.S. yields, and corn production is projected to increase from 1.7 billion bushels in 2000/01 to 1.81 billion bushels by 2004/05. The season-average farm price for the marketing year in Iowa is projected to be \$1.79 per bushel during 1999/00, and increase steadily over the period to \$2.18 per bushel.

Soybeans: U.S. acres planted to soybeans are projected to increase 700,000 acres in 2000/01 to 72.7 million acres, and then trend downward through the rest of the period to 71.3 million acres by 2004/05. The increased acreage in 2000/01 reflects a more favorable bean-to-corn ratio. Soybean yield follows the trend over

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the new South American crop, estimated by the USDA at 51.5 million metric tons, finds its way to export ports.

A shift in demand has been the key in the meat sector. It appears that the increased demand the markets experienced during the last quarter of 1999 has continued to be strong during the first quarter of this year. This is a true shift in demand, as consumers continue to consume more red meat at higher prices. The USDA reported fed cattle sales for the week ending April 21 at \$74.00 per hundredweight on a live basis and \$119.00 per hundredweight on a carcass basis. Cattle feeders have

been doing an excellent job of keeping showlists current, which is especially amazing when one considers the record numbers that have been placed on feed during the last 12 months.

Beef production for the first quarter of 2000 is running above last year's record production but production is expected to dip below last year's levels as we move into the fall. The April cattle-on-feed report showed a rather large number of heavy weight placements for the previous month, which might backup the feedlots when they finish in June and July. This could add pressure to the seasonal downturn in prices this spring and summer. However, prices will firm up in the fall as production declines.

The Iowa-Southern Minnesota market closed April 25 at \$50.85 per hundredweight for the average hog. Strong demand for pork products has helped trim stocks in cold storage and raise prices about \$15.00 per hundredweight above year-ago levels. Low feed costs along with higher prices recently have enabled producers to start regaining some of the equity lost during 1998 and 1999. The key is the ability to maintain the increased demand in light of higher prices. The question is going to be how much consumers are willing to continue to pay and how much red meat they will eat. ♦