

# Iowa's Agricultural Situation

**Phil Kaus**

*pkaus@iastate.edu*

515-294-6175

The combines are starting to roll in the cornbelt. The October 1, Crop Report showed that 18 percent of Iowa's corn crop and 32 percent of the soybean crop were in the bin. Current estimates for the U.S. corn crop are between 9.1 and 9.4 billion bushels and between 2.7 to 2.8 billion bushels for the soybean crop. These rather large crops will add to an already ample carryover supply.

Large red meat production this summer and the large production expected heading into the fourth quarter will force pork prices lower in the fourth quarter. In response to the continuing low farm income levels, the government is considering a second assistance package.

## CROPS

During the last week of September, elevators in central Iowa were paying between \$1.55 and \$1.65 per bushel, and the December contract for corn had declined to the \$2.10 per bushel range. This has resulted in a basis of between \$ -0.50 and \$ -0.60 for the past several weeks. As more of the corn makes its way into the bin, producers will be concerned with basis levels and current loan deficiency payment (LDP) rates. The Center for Agricultural and Rural Development (CARD) monitors LDP rates on a daily basis, and this information is available on the CARD Web site (<http://www.card.iastate.edu>) (see article on page 6). The user can evaluate three grain marketing strategies that take into account expected basis levels, LDP rates, and storage.

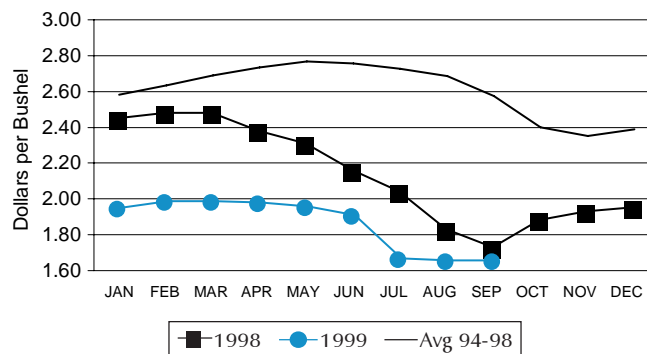
Given the current world stocks-to-use ratio (see table on page 5) and an estimated 1.8 billion bushels in U.S. old crop carryover (25 percent of which is stored in Iowa), it is going to be hard for prices to sustain a large rally. International issues concerning genetically modified organism (GMO) crops has led some grain handlers to refuse GMO corn, as some varieties have not been accepted for export to the European Union (EU) or Japan. Identity preservation of crops will be important for producers, with some grain handling facilities offering premiums for non-GMO crops.

The American Seed Trade Association (ASTA) (<http://www.amseed.org>) has established a web site containing a database of all facilities accepting GMO corn. The users enter their area code and the distance they are willing to transport their crop, and the database generates a list of all facilities within the specified distance that accept GMO corn.

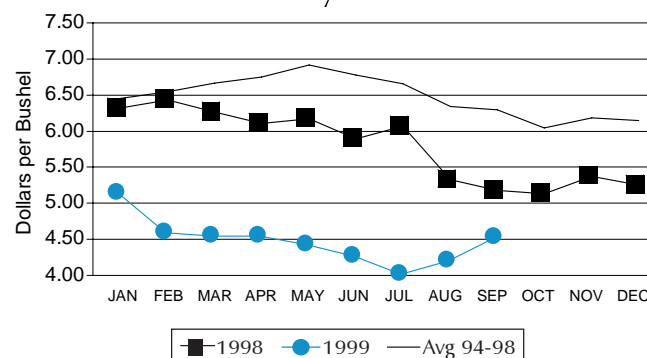
Soybeans during the last week of September at central Iowa elevators were trading between \$4.35 and \$4.45 per bushel. The market is expecting a record production year due to the largest ever soybean plantings this spring; and this is on top of a 348 million bushel carryover (26 percent in Iowa). Producers will want to watch LDP rates carefully because the LDP will amount to about 20 percent of the gross revenue for soybeans this year.

*Continued on page 10*

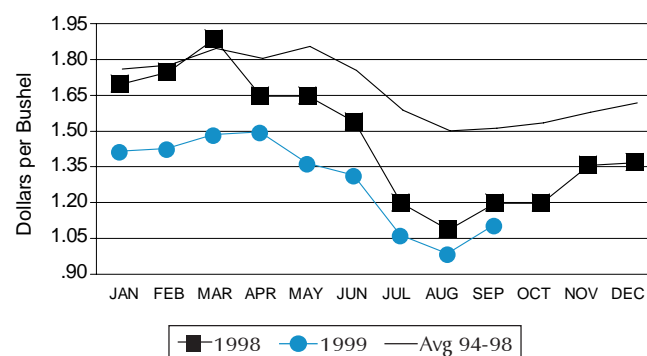
Iowa Corn Price



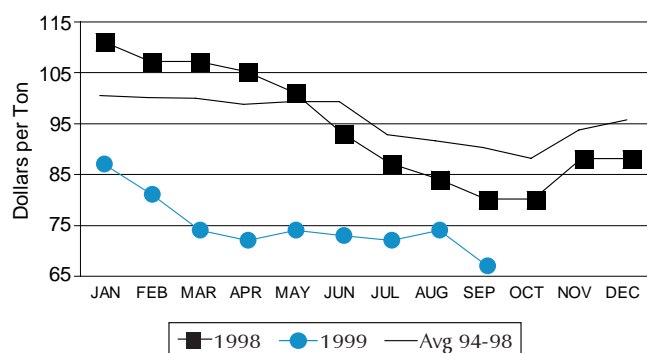
Iowa Soybean Price



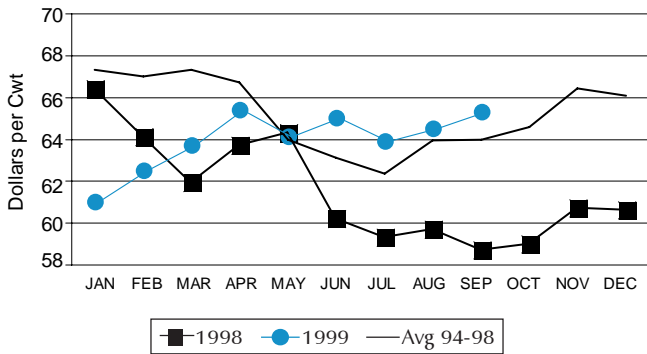
Iowa Oat Price



Iowa Alfalfa Hay Price

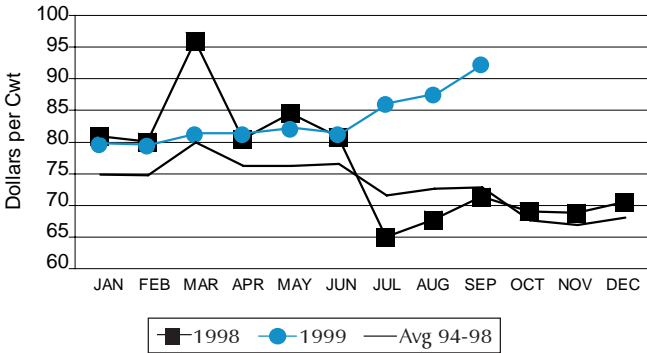


Iowa Steer and Heifer Price



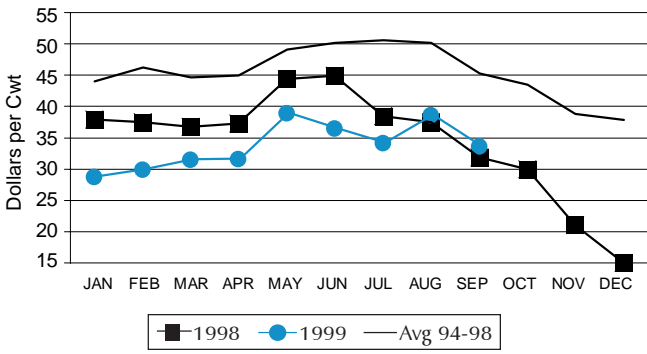
■ 1998 ● 1999 — Avg 94-98

Iowa Feeder Calf Price



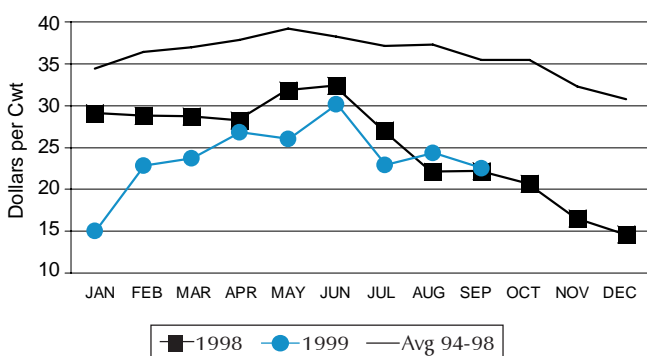
■ 1998 ● 1999 — Avg 94-98

Iowa Barrow and Gilt Price



■ 1998 ● 1999 — Avg 94-98

Iowa Sow Price



■ 1998 ● 1999 — Avg 94-98

## Iowa Cash Receipts Jan. – June 1999

	1999	1998	1997
(Million Dollars)			
Crops	2,435	3,017	3,594
Livestock	2,386	2,559	2,707
Total	4,821	5,576	6,301

## World Stocks-to-Use Ratios

	Crop Year		
	(Sept. Projection) 1999/00	(Estimate) 1998/99	(Estimate) 1997/98
(Percent)			
Corn	17.61	17.91	14.89
Soybeans	15.35	15.69	14.42
Wheat	21.14	22.97	23.81

## Average Farm Prices Received by Iowa Farmers

	September* 1999	August 1999	September 1998
(\$/Bushel)			
Corn	1.65	1.65	1.72
Soybeans	4.55	4.22	5.20
Oats	1.10	1.10	1.20
(\$/Ton)			
Alfalfa	67.00	74.00	80.00
All Hay	66.00	74.00	79.00
(\$/Cwt.)			
Steers & Heifers	65.30	64.50	58.70
Feeder Calves	91.10	87.40	71.30
Cows	38.00	38.30	33.10
Barrows & Gilts	33.60	38.60	31.90
Sows	22.50	24.30	22.20
Sheep†	29.70	30.30	27.40
Lambs†	72.60	80.00	70.10
(\$/Lb.)			
Turkeys	0.36	0.36	0.38
(\$/Dozen)			
Eggs	0.29	0.33	0.46
(\$/Cwt.)			
All Milk	14.80	12.90	16.10

\*Mid-month

†Estimate

*Iowa's Ag Situation, cont. from page 4*

### LIVESTOCK

According to the U. S. Department of Agriculture's (USDA) latest *Livestock Slaughter*, pork and beef production set records for August. Both pork and beef production were up 4 percent from last August's records. The September *Hogs and Pigs* report indicates that producers have finally started reducing sow numbers, which should be a bullish sign for the market in 2000.

The effects of Hurricane Floyd no doubt will affect North Carolina for years to come but don't expect it to greatly affect the hog markets. Early estimates are for losses of 30,000 to 300,000 head. The short- and long-term market impacts will ultimately depend on the class of pigs or sows lost.

Pork prices on the Iowa-Southern Minnesota market have shown strength lately and have been in the \$35 to \$38 per hundredweight range. Hopefully with October being designated *Pork Month*, this will increase

demand at a time when production is expected to be large. Pork slaughter had already approached 2 million head per week toward the end of September, and it is expected to top that level in October and November. Strong retail demand will be essential in avoiding last year's debacle.

Beef demand has been solid all summer, strong enough to counter seasonal patterns and hold prices in a profitable range for feeders. As a result, placements into feedlots have been at record or near record levels since spring. According to the USDA's August *Cattle on Feed*, placements for the United States were 16 percent above 1998 levels and almost 12 percent above the five-year average. Large heifer placements indicate that the industry is still in the reduction phase of the cattle cycle, so feeder calf prices should continue to strengthen in 2000. In Iowa, August placements were up 44 percent. This suggests a large number of slaughter-ready cattle will

be moving out of feedlots through the first part of next year. As long as the overall U.S. economy remains strong, beef demand should continue strong.

On September 29, the House passed a \$8.7 billion farm income assistance package. If the payments are dispersed as an additional marketing transition payment, this would result in an approximate \$500 million influx to Iowa's farm economy. Currently, the Food and Agricultural Research Policy Institute (FARPI) is projecting Iowa net farm income for 1999 at \$1.9 billion. This is based on trend yields in Iowa for corn and soybeans of 139 and 39 bushels per acre, respectively. If current yield estimates of 150 and 50 bushels per acre for corn and soybeans hold, the government assistance package could boost Iowa net farm income to around \$2.8 billion. Under this scenario, net farm income would be just under the five-year average of \$2.9 billion. ♦

## Meet the Staff

**P**hil Kaus joined CARD in July 1998 after completing a master's degree in statistics and economics at the University of Nebraska. He is the U.S. and Iowa crops and livestock analyst for the Food and Agricultural Policy Research Institute (FAPRI), part of CARD's Trade and Agricultural Policy Division. Phil also does analysis of international sugar, and quantity and value of U.S. exports.

"One of the biggest challenges is trying to be a jack-of-all-trades," Phil says. "We are providing a variety of information to several different audiences."

One of those audience groups comprise *Iowa Ag Review* readers. Phil writes and compiles information for the "Iowa's Ag Situation" column that appears in each issue. He also

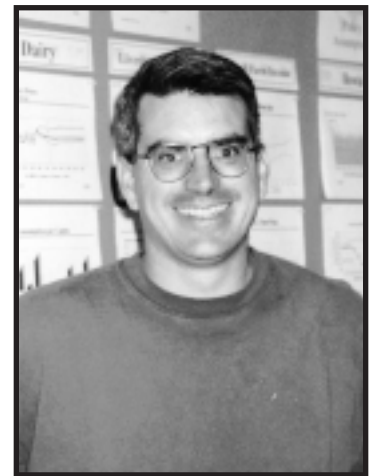
conducts analysis for the FAPRI baseline and annual 10-year outlook projection. Phil's recent research has been looking at Midwest state-level exports of agricultural goods.

"We are trying to find a better method of estimating state-level exports," he says.

Prior to graduate school, Phil worked on a 2,000-acre farm and ranch that raised Angus cattle, wheat, and irrigated hay in the northwest panhandle of Nebraska. While he misses the wide-open spaces of the farm, Phil says he likes his work at CARD.

"I enjoy being able to provide producers and policymakers with valuable information to help in their decision-making process," he says.

Phil is married to Lyndi, and they have four children, Reed, Alec,



*Phil Kaus*

Taylor, and Samantha. He enjoys spending time with his family and attending his children's sporting events. Phil also enjoys hunting and fishing in his free time. ♦