

Iowa's Agricultural Situation

Analysts watch for high prospective corn plantings and possible record biotech acres

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PLANTING INTENTIONS

The March 31 USDA *Prospective Plantings* report lowered the national corn acreage and slightly raised the soybean acreage relative to the market expectation. According to the report, U.S. growers plan to sow 79 million acres of corn in 2003, which is unchanged from the previous year's level and close to the five-year average. Most states in the Great Plains region reported a decrease in the intended corn plantings because of possible drought conditions and higher fertilizer and energy prices. This decline is offset by increases in prospective corn plantings by growers in the eastern Corn Belt who shifted into soybeans last year because of the wet season. U.S. soybean producers are projected to plant 73.2 million acres, down 1 percent from 2002. The expected soybean acreage is the lowest in the last five years and is slightly lower than the five-year average of 73.6 million acres. Counteracting the national trend, soybean acreage is expected to increase in the northern Great Plains as well as some areas in the south.

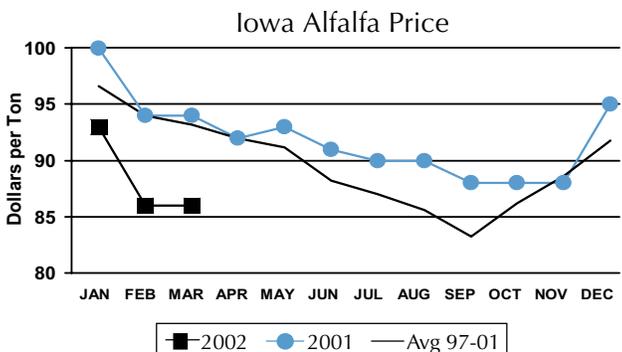
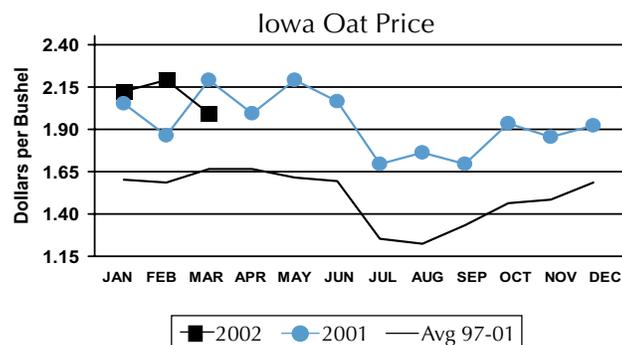
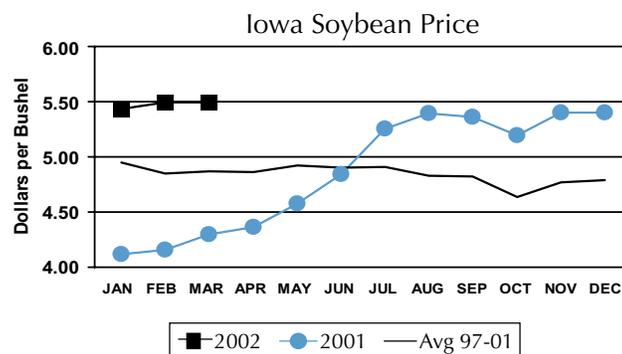
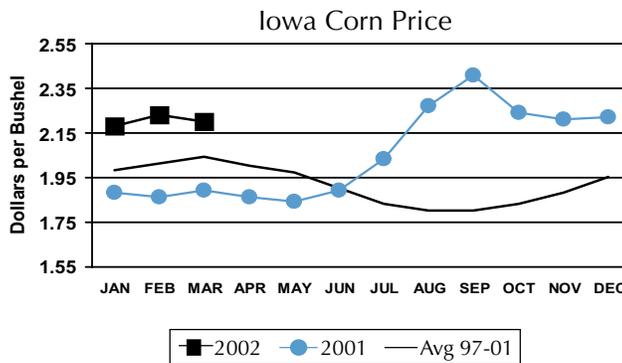
Traders were astounded by the higher-than-expected prospective corn acreage reported. While market analysts cite input costs, crop rotation patterns, and changes in loan rates as potential motives behind the planting intentions, they point out that the final plantings likely will be influenced by future developments. According to the latest USDA *Grain Stocks* report, national corn and soybean stocks were estimated at 5.13 and 1.2 billion bushels as of March 1, down 11 and 10 percent respectively from last year's levels. Because of increases in corn fed to livestock and used for ethanol, domestic use of corn was 4 percent higher this winter than a year ago. Corn futures prices jumped after release of the positive news in the reports but subsequently leveled off in view of disappointing corn exports. Soybean prices remained high, in spite of the negative news contained in both reports, mostly owing to strong export demand running well ahead of USDA's export projections and to continuing delays in shipments of the large South American crop.

In Iowa, intended corn and soybean acreages for 2003 are unchanged from last year's levels at 12.3 and 10.4 million acres respectively.

BIOTECH ACRES

According to the report, the prospective acres sown to crop varieties developed using biotechnology attained a record share of 38 percent, up 6 percentage points from 2002.

Nationwide, the split of biotechnology varieties present in the 2002 corn crop was 22 percent to *Bacillus thuringiensis* (Bt) insect-resistant corn, 9 percent to herbicide-resistant corn, and



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Iowa Cash Receipts Jan. – Dec.

	2002	2001	2000
(Million Dollars)			
Crops	5,979	5,406	4,979
Livestock	5,179	5,936	5,912
Total	11,158	11,342	10,892

World Stocks-to-Use Ratios

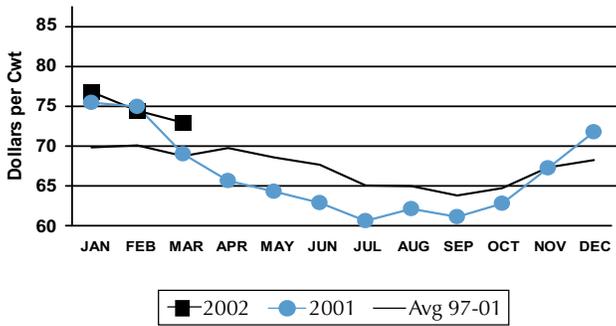
	Crop Year		
	2002/03 (March Projection)	2001/02 (Estimate)	2000/01 (Actual)
(Percent)			
Corn	17.22	21.36	25.42
Soybeans	15.93	17.40	17.83
Wheat	29.03	34.55	34.93

Average Farm Prices Received by Iowa Farmers

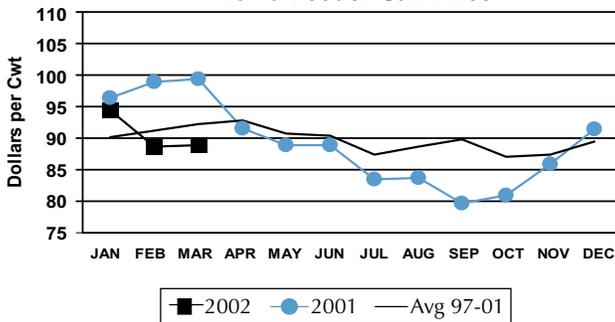
	March* 2003	Feb. 2003	March 2002
(\$/Bushel)			
Corn	2.20	2.23	1.89
Soybeans	5.50	5.50	4.29
Oats	2.00	2.20	2.20
(\$/Ton)			
Alfalfa	81.00	81.00	89.00
All Hay	78.00	79.00	86.00
(\$/Cwt.)			
Steers & Heifers	73.00	74.50	69.00
Feeder Calves	89.30	89.00	100.00
Cows	37.50	38.00	41.60
Barrows & Gilts	35.60	35.20	36.70
Sows	27.10	26.20	33.10
Sheep		46.60	31.70
Lambs		87.20	65.00
(\$/Dozen)			
Eggs	0.44	0.36	0.47
(\$/Cwt.)			
All Milk	11.20	11.70	12.60

*Mid-month

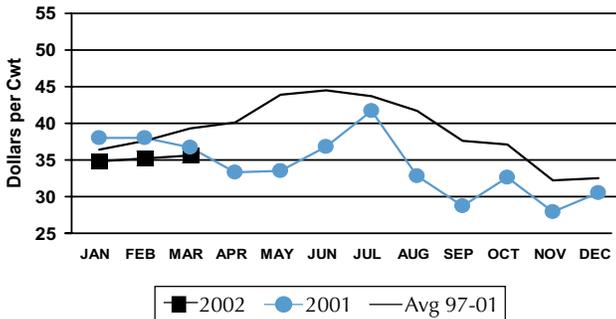
Iowa Steer and Heifer Price



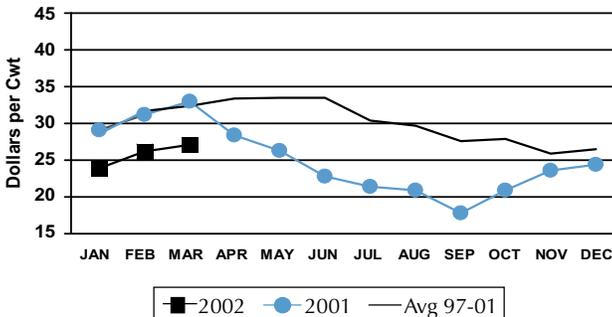
Iowa Feeder Calf Price



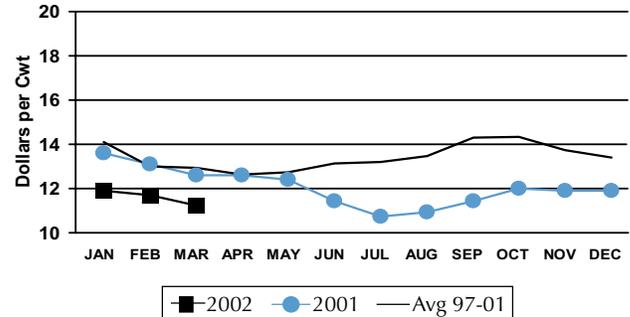
Iowa Barrow and Gilt Price



Iowa Sow Price



Iowa All Milk Price



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2 percent to a stacked gene variety having both insect and herbicide resistance. Statewide, 41 percent of the 2002 Iowa corn crop was genetically modified: 31 percent was Bt corn, while 7 percent was herbicide resistant and 3 percent was a stacked gene variety. The 2003 intentions survey shows nationwide that corn producers intend to increase their Bt corn plantings by 4 percentage points, while the shares of their acres planted to herbicide-resistant varieties remain unchanged, and stacked gene varieties will increase by only 1 percentage point. Iowa growers intend to sow 47 percent of their corn acreage to genetically modified varieties. The share of intended Bt corn increases to 38 percent, the share of stacked gene corn increases to 4 percent, and the share of acreage planted to herbicide-resistant corn falls to 5 percent.

Nationally, the intentions for 2003 show continued growth for herbicide-resistant soybeans, with 80 percent of the soybean crop allocated to biotechnology varieties compared with 75 percent last year. Iowa soybean producers indicate that 82 percent of the new crop will be herbicide resistant compared to 75 percent in 2002.

LIVESTOCK

The March 28 USDA *Hogs and Pigs* report indicated an expected de-

cline in hog numbers and the continuing liquidation of the breeding herd. The inventory on U.S. farms is lowered to 58.1 million head of hogs, down almost 2 percent from both a year ago and last quarter. The breeding herd, at 5.96 million head, is 4 percent below last year's level and 1 percent below the level of the last report. The March inventory of market hogs, at 52.2 million head, is 2 percent below last year and 3 percent below the December inventory, which is indicative of lower marketings this spring and summer compared with last year. Consistent spring and summer farrowing intentions reported by U.S. hog producers are both 3 percent below the actual farrowings at these periods last year, suggesting that marketings this fall and winter will also fall considerably lower than last year's levels.

However, the report had little positive impact on prices, as markets waited for further symptoms of moderating hog slaughter in light of the recent discrepancy between the actual slaughter numbers and the numbers calculated from the official reports. Market observers speculate that the projected lower beef and poultry production is likely to help sustain the hog price rebound. Pork stocks in cold storage continue to exceed last year's levels but are expected to decline in the future. Having achieved significant rates of growth in pork exports, the pork industry is now more exposed

to volatile international markets, as well as foreign meat safety regulations, trade barriers, foreign competition, and freight costs. Accounting for changes in productivity, strong demand for bacon, and new pork products, prices are expected to reach levels profitable for producers this summer before declining in the fall, according to some estimates.

In Iowa, the inventory of market hogs was estimated at 14.9 million head, down 1.3 percent from March 2002, a bit lower than the nationwide level. However, the state's breeding herd showed a significant drop of 7.1 percent, indicating a higher number of out-of-state feeder pigs.

FARM INCOME

Statewide cash receipts, at \$11.16 billion, fell slightly in 2002 compared with last year's receipts but are nearly on a par with the five-year average. While the revenues in the crop sector rose 11 percent, cash receipts for livestock fell 14 percent below last year's income. The increase in crop cash receipts has been reflected in rising cash rental rates for cropland. Iowa cropland rates averaged \$120 per acre, up \$3 from last year. Fiscal year government payments for Iowa fell from \$2.302 billion in 2000 to \$1.972 billion in 2001, mostly because higher grain prices reduced payments under marketing loan programs. ♦

Payment Limitations
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limits? Opponents and proponents of stricter payment limits will argue endlessly about the fairness of large payments to farmers. But this argument misses the point. Just because large payments are made to individual farmers does not mean that the objectives of farm programs are not being met. Congress has demon-

strated repeatedly that it wants to subsidize a particular subset of U.S. crops. And it is difficult to subsidize a heterogeneous sector of the economy without bestowing the largest portion of subsidies on the largest firms in the sector. Furthermore, it could be argued that farm programs exist precisely because they make large payments to wealthy farmers. That is, the potential for large subsidies gives the largest farmers a rea-

son to lobby Congress to continue farm programs.

So, what we are left with is a political decision about who gets what portion of farm program benefits and the purpose of the programs. Given that current farm policy works like an industrial policy for chosen commodities, there is no economic efficiency rationale for payment limits. Political and equity concerns will decide the issue. ♦