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Agriculture on Record Pace

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Based on the latest estimates from the USDA, 2004 is shaping up to be a banner year. Between the strong production numbers on the crop side and strong prices for livestock, both major sectors of agriculture are experiencing record or near record events. Several national and state records may fall this year.

**Strong Crop Production**
The October 2004 crop production estimates have been released and they show that the unusual weather patterns over the spring and summer have actually been very beneficial to commodity agriculture. National corn production is estimated at 11.61 billion bushels, 1.5 billion bushels above last year’s record corn production. The national average corn yield for 2004 is projected to be 158.4 bushels per acre. That also tops last year’s record corn yield of 142.2 bushels per acre. These figures represent an 11 percent increase in the record corn yield and a 15 percent increase in the record corn production. The United States has not experienced that large an increase in record corn production since the 1970s. However, this jump in production was not unexpected. Figure 1 shows the range of national corn production from 1960 to 2003 when adjusted for trend and 2004 planted acreage. The data in Figure 1 show that the United States had roughly a 20 percent chance of a corn crop exceeding 11 billion bushels.

Thirteen states, including Iowa and Illinois, are projected to set new record yields or tie existing records. Iowa is currently on pace for a yield of 180 bushels per acre, passing last year’s record corn yield of 163 bushels per acre. Illinois is projected to reach 180 bushels per acre; its record was 164 bushels per acre in 2003. The corn crop estimates also show that nine states will have record corn production. Again, Iowa and Illinois lead the way. Iowa is projected to produce 2.21 billion bushels of corn in 2004, a 282-million-bushel increase over the record production of 2002. Illinois will produce 2.08 billion bushels, 267 million bushels more than its record production last year.

Soybean production, while not as strong as corn production, is also a record nationwide. National soybean production is estimated at 3.11 billion bushels, 216 million bushels above the 2001 record. The national average soybean yield for 2004 is projected at 42.0 bushels per acre, the largest in history. Eleven states, including Illinois, Indiana and Ohio, are looking at record yields. Ten states are projected to have record productions in 2004. Iowa’s soybean crop, while not on pace for a record, is rebounding from last year’s low numbers. Estimates for Iowa are for 47 bushels per acre in soybean yield and 477 million bushels in soybean production. Both corn and soybean prices were fairly strong in the first half of 2004. The December 2004 (new crop) corn futures contract reached its contract high of $3.36 per bushel in April. The November 2004 soybean futures contract also reached its contract high in the spring, at $7.88 per bushel in March. So there were good opportunities for producers of both crops to forward-contract or to hedge on the futures market. Both corn and soybean price series have shifted downward as the year has progressed, due in no small part to

![Figure 1. U.S. corn production distribution (historically based, adjusted to 2003 trend yields and 2004 planted acreage)](image-url)
Currently (October 12, 2004), the December 2004 corn futures are at a contract low price of $2.02 per bushel and the November 2004 soybean futures are at a 2004 low of $5.13 per bushel. But even at these prices, the 2004 corn and soybean crops would be the fourth largest in terms of value, only exceeded by the 1995, 1996, and 2003 crops for corn and the 1996, 1997, and 2003 crops for soybeans.

**FIGURE 2. BEEF CATTLE PRICES RECEIVED BY IOWA PRODUCERS**

Prices have remained strong in spite of the BSE (bovine spongiform encephalopathy) incident of December 2003. While export demand has fallen dramatically, domestic demand for beef has remained strong. Beef supplies have been tight for several reasons: poor feeding conditions in early 2003, the import ban on Canadian beef and cattle, and lower cattle placements in feedlots. August placements in feedlots were at the second-lowest level since 1996. August cattle marketings were the lowest since 1996 as well. Iowa producers have participated in the supply adjustment through reduced placements and marketings this year as compared with last year.

**FIGURE 3. HOG PRICES RECEIVED BY IOWA PRODUCERS**

Pork demand, both domestic and export, has been strong. This, in combination with fairly steady hog production, has held prices in place. As of the June USDA Hogs and Pigs report, both the U.S. and Iowa mar-

**HIGH LIVESTOCK PRICES**

While production is high for crops, prices are high for livestock. Both the cattle and hog industries are seeing record or near record prices. National average prices for all beef cattle, calves, steers and heifers, and cows are all well above their 1996-2003 averages. National calf prices have exceeded $120 per hundredweight (cwt.) since May 2004. The average price for all beef cattle has been at or above $80 per cwt. since August 2003, with the exception of February 2004. Beef cattle prices for Iowa producers have followed this pattern as well. Figure 2 shows Iowa monthly average beef cattle prices for this year, last year, and the average over the last five years. For most of this year, cattle prices have run $15 per cwt. more than the five-year average. Iowa beef cattle prices have been above $80 per cwt. since September 2003. Other than for April 2001, Iowa producers have never before seen monthly average prices this high.

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Hog prices are also higher than they have been in quite some time. National and Iowa hog prices have been hovering just under $60 per cwt. for the last four months. Figure 3 shows Iowa monthly average hog prices for this year, last year, and the average over the last five years. The last time hog prices approached $60 per cwt. was in the summer of 1997. The highest recorded monthly average hog price for Iowa was $62.50 per cwt. in August of 1986.

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from 22,990 metric tons in February to 16,290 metric tons in March. Bans on poultry meat remain in place for some Texas counties and for several U.S. states where low pathogenic AI has occurred.

Higher pork exports to Mexico can also be attributed to the trade liberalization accomplished under NAFTA. Despite periodic border issues and Mexican pork producers’ efforts to block imports, Mexico is beginning to show its full import potential for U.S. pork. The Mexican peso’s steady decline against the U.S. dollar makes U.S. pork relatively more expensive in Mexico, but a recovering economy in 2004 is helping offset some of the currency exchange effects.

OTHER MARKETS, OTHER FACTORS
Despite BSE and AI problems of its own, Canadian demand for U.S. pork has remained strong. As the third-largest market for U.S. pork and the second-largest market for U.S. pork variety meats, Canada imported 34.8 percent more pork and 27.6 percent more pork variety meats than during January–July 2003. This demand tends to fill shortfalls of specific cuts. A weaker U.S. dollar has helped make U.S. pork more competitive in Canada and elsewhere.

Other factors are policy based. In Russia, for example, the tariff-rate quota established in mid-2003 is the primary driver behind the 146.9 percent increase in imports of U.S. pork during January–July 2004. After exporting 14,080 metric tons of pork to Russia in 2002 and 5,460 metric tons in 2003, the United States received a 42,200 metric ton quota for 2004. Through July, the United States had shipped 8,180 metric tons of pork to Russia. Another example is Taiwan, where U.S. pork and variety meat exports have increased sharply in response to higher prices because of disease in the domestic pig herd and greater market access under gradual WTO liberalization. Given that per capita beef consumption is one-tenth that of pork in Taiwan, pork imports are more dependent on domestic prices than on demand for pork as a substitute meat.

As shown in Figure 1, pork exports were falling off by May, and producer prices remained high into July. These trends are representative of recent annual movements in U.S. pork exports, which have tended to decline in early summer, and of U.S. producer prices, which normally peak in early summer and decline in the fall. By September, the producer price declined to $54.30/cwt, down from $57.50/cwt in July. However, both levels are significantly higher than last year, as good demand, prices, and supply are making 2004 a good year for pork exports. ◆