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Philip Kaus

Iowa State University, pkaus@iastate.edu

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Iowa's Agricultural Situation

by Phil Kaus

pkaus@card.card.iastate.edu

515-294-6175

Do you remember last October's Farm Disaster Relief Bill totaling \$5.6 billion, of which more than \$2 billion were allocated for single-year and multi-year disaster relief? According to U.S. Secretary of Agriculture Dan Glickman, the long-awaited checks are in the mail.

Producers will be paid 84.9 percent of qualifying single- or multi-year loss. Producers who claimed both single-year and multi-year losses will receive the larger amount of eligible losses but not both. Talks of another congressional aid package to producers fizzled in May as Congress decided to take a "wait and see" approach. There was agreement that assistance was needed, but some wanted more time to assess that need, especially given the fact that the October aid had not yet reached farmers.

CROPS

The average monthly price of corn received by Iowa producers has now been below \$2 per bushel for 11 months straight. The last run of below \$2 corn this decade was during the 1992/93 marketing year, when there was a run of five months below \$2. For the week ending May 30, the U.S. Department of Agriculture's (USDA) *Crop Progress* report suggested planting and crop conditions in Iowa were back to normal after fields received abundant moisture during April and early May. The latest U.S. production estimates from the USDA are for a 9.65 billion bushel crop. The USDA is projecting global ending stocks to increase. Use is also projected to increase, only not as fast. The world stocks-to-use ratio is projected to increase to 18.44 percent, see table on page 5. This indicates that any sustained recovery in price will be slow in coming unless production estimates decrease or demand increases.

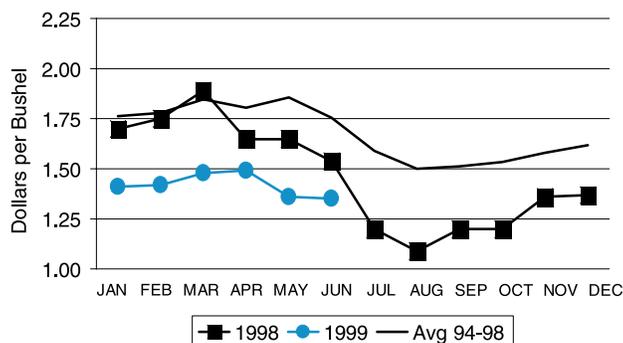
For soybeans, you have to go back to 1987 to find a similar run of monthly prices below \$5 per bushel. World production and use is projected to increase this year, but a drop in exports will increase ending stocks by about 3.0 million metric ton (mmt). This causes the stocks-to-use ratio to increase to 17.77 percent. USDA's *Crop Progress* report for the week ending July 12 reported 77 percent of the crop was rated good to excellent. This has led to recent central Iowa elevator bids in the \$3.75 per bushel range.

LIVESTOCK

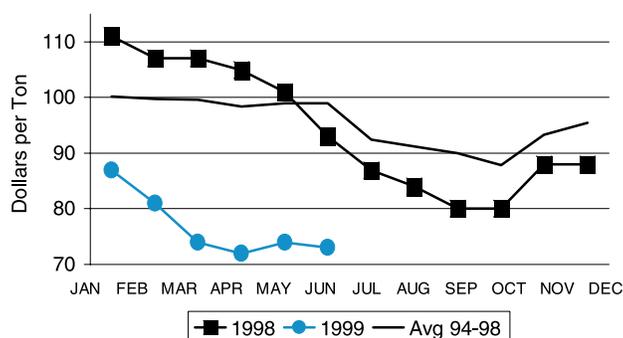
Pork prices recovered nicely in May and seemed to hold their own in June giving producers some optimism. However, this optimism was quickly squelched with the June 1 *Hogs and Pigs Report*. U.S. hog inventory was down 3 percent from June 1998, but 1 percent above March 1, 1999. Most analysts were expecting to see a 6 to 7 percent decline in inventory from June 1998. The liquidation the industry hoped for didn't

Continued on page 6

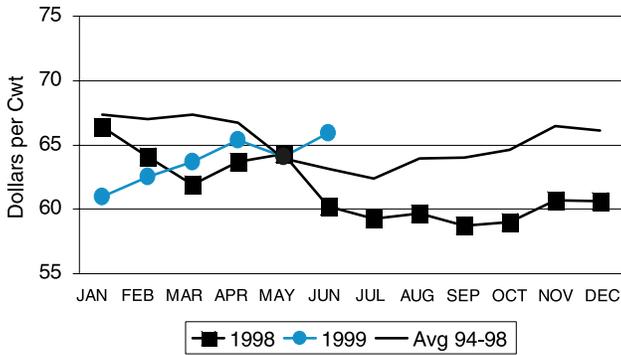
Iowa Oat Price



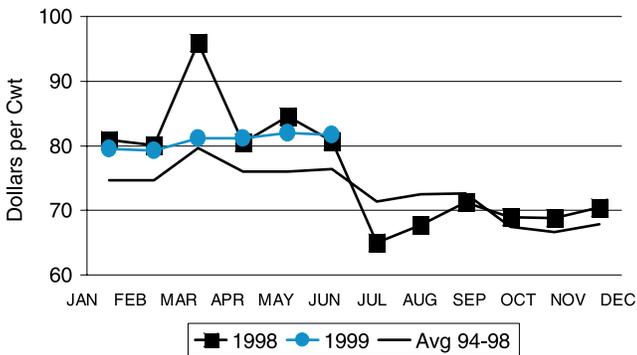
Iowa Alfalfa Hay Price



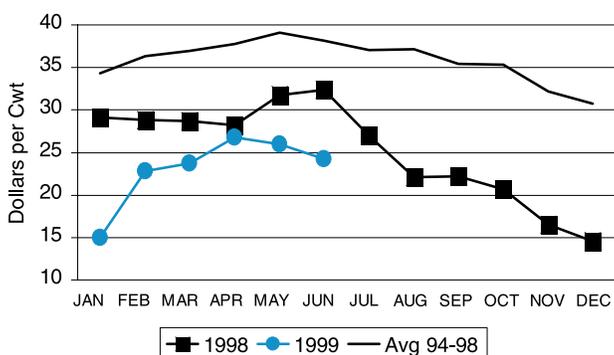
Iowa Steer and Heifer Price



Iowa Feeder Calf Price



Iowa Sow Price



Iowa Cash Receipts Jan.-March 1999

	1999	1998	1997
(Million Dollars)			
Crops	1,522	1,847	2,305
Livestock	1,142	1,246	1,286
Total	2,664	3,093	3,590

World Stocks-to-Use Ratios

	Crop Year		
	1999/00	1998/99	1997/98
May			
	Projection	Estimate	
(Percent)			
Corn	18.45	16.95	14.90
Soybeans	17.77	16.07	14.42
Wheat	20.00	23.11	23.81

Average Farm Prices Received by Iowa Farmers

	June*	May	April
	1999	1999	1998
(\$/Bushel)			
Corn	1.86	1.95	2.15
Soybeans	0.00	4.35	5.91
Oats	1.35	1.36	1.54
(\$/Ton)			
Alfalfa	73.00	74.00	93.00
All Hay	72.00	73.00	92.00
(\$/Cwt.)			
Steers & Heifers	65.90	64.10	60.20
Feeder Calves	81.70	82.00	80.80
Cows	37.70	38.20	37.00
Barrows & Gilts	34.60	38.90	44.90
Sows	24.20	26.00	32.40
Sheep†	33.20	34.50	24.70
Lambs†	74.60	61.00	88.00
(\$/Lb.)			
Turkeys	0.37	0.37	0.37
(\$/Dozen)			
Eggs	0.26	0.25	0.34
(\$/Cwt.)			
All Milk	12.20	12.90	13.60

*Mid-month

†estimate

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materialize, consequently the bearish report indicates highs for the year may have been established. Third quarter prices should average between \$30 and \$35 per hundredweight and fourth quarter prices in the upper \$20 range per hundredweight.

Although slaughter numbers through May were 2 percent greater than last year, pork production has increased 3 percent because of higher slaughter weights, in part due to the low cost of feed ingredients. A moderate growth in demand and the recent gains in the export market have not been enough to offset the larger produc-

tion, which has resulted in noticeable increases in cold storage stocks. This could further depress prices in the fourth quarter when slaughter numbers are expected to again top the 2 million head per week level (see article on pp.0-10).

For the last week in June, Texas-Oklahoma Slaughter Steers were trading in the mid-\$60 per hundred-weight range. The mid-month price received by Iowa producers for steers and heifers was \$65.90 per hundred-weight. The latest cattle-on-feed report suggests placements had slowed compared to placements during the first quarter. First quarter placements were more than 20 percent above 1998 levels and slowed to less than 1 percent above in May.

Packer demand in May was strong, and it appears that feeders continued to market cattle aggressively through May. Dressed weights have declined as feeders moved showlist up in order to take advantage of the packer demand. Cattle feeders have been in the black since February and want to take advantage while they can in the face of large slaughter-ready cattle coming to market later this summer. Feed costs will continue to be low, but hopefully they will not be a signal to hold cattle back this summer. After the summer run, feeder and fed markets are expected to show some strength. ♦

Meet the Staff

Being on the cutting edge of agricultural public policy is one of things that Assistant Director Keith Heffernan enjoys most about his association with the Center for Agricultural and Rural Development (CARD).

"In general, there are a lot of changes and repositioning taking place in agriculture, which can be threatening to the industry. CARD has to keep ahead of the trends, and our work has to be relevant to current and future agriculture," Keith said.

The Midwest Feeds Consortium is one example of this forward-thinking approach. Keith worked with researchers at CARD and other entities to look at the feasibility of using soybean oil meal in fish rations. This research identified a new opportunity for U.S. soybean growers and processors. (For more information about the consortium's findings, please see the Spring 1999 issue of Iowa Ag Review, vol. 5, no. 2., available online at <http://www.card.iastate.edu>)

Keith is also working with AgSTATE (Agricultural Strategic Thinkers Acting Together Effectively)

to develop a strategic plan for Iowa agriculture. He and Department of Economics Chair John Miranowski facilitate the group, which is composed of people representing farm and commodity organizations, agribusinesses, state government, and ISU. CARD's role is to help identify resources for the group and to help AgSTATE to develop its vision for agriculture, Keith said.

A graduate of ISU, Keith has worked at CARD for almost 5 years. Prior to coming to CARD, he was the director of public affairs for the Iowa Farm Bureau Federation, worked on former governor Terry Brandstad's staff, and served as the executive director for the Iowa Corn Growers Association.

"My entire career has involved the development and implementation of agricultural policy, and before coming to CARD, most of the work I did was on the implementation side. At CARD, I have the opportunity to work more on the development side, and here we are able to do the necessary research to determine the best solution for the problems and challenges facing agriculture," he said.



Keith Heffernan

In addition to his responsibilities at CARD, Keith serves on the Terrace Hill Commission, the Farm Foundation Roundtable, and as board president of the FarmHouse Alumni Association. He is married to wife Alexa, and they have two children, Andy, an ISU graduate who lives and works in the Seattle, Wash., area, and Kim, a sophomore at the University of Northern Iowa. ♦