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Three-Year Outlook for Iowa Agriculture

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In November, the Food and Agricultural Policy and Research Institute (FAPRI) established its preliminary annual baseline projections. An updated outlook for Iowa agriculture from 1999 to 2002 was generated from the results of these projections. Currently, Iowa producers wrapped up near-record harvests of corn and soybeans last fall; unfortunately, these large yields are being added to already large world supplies. Thus, producers have been met with low prices.

To add to the bleak situation, pork producers were faced with the worst October and November prices in recent history. Packing plants slaughtered, on average, more than 2 million head per week during October and November. The situation was similar in other pork producing countries.

Large world supplies have decreased the need for American agricultural products abroad. For the first 11 months of 1998, overall exports of agricultural goods dropped 6 percent. A 14 percent drop in corn exports punctuates this decline.

**Implications for Iowa Agriculture**

**CORN AND SOYBEANS**

Iowa producers will continue to use the options available in the Federal Agriculture Improvement and Reform (FAIR) Act of 1996. Corn producers will respond by reducing the acres planted to corn by about 2 percent next year, and increasing acreage slightly during the following two years. Yields will dip slightly in 1999 before increasing through the rest of the period, as there is a return to more normal weather conditions during the growing season. Iowa corn production for 1999/00 is projected to decline to 1.747 billion bushels and then increase to 1.8 billion bushels by the end of the period. Soybean acreage is projected to drop about 1 percent for each of the next two years and increase slightly in 2001/02. Like corn, soybean yields are expected to drop next year and then end the period on an up note. Soybean production is projected to be 490 million bushels in 1999/00 and increase to 498 million bushels by 2001/02.

The government payments will be a shot in the arm to those in farm country as they head into 1999. Producers should be aware of the tax implications when exercising some of their payment options. The tax adjustments should provide more long-term benefits for producers by allowing them to average out the fluctuations in income that occur in agriculture.
$5.94 billion in 1999/00 before increasing during the end of the outlook period.

**Hogs and Cattle**

This year has been hard on Iowa’s livestock producers. The pork industry has been faced with a steady decline in prices since May 1998, while the cattle sector has been looking to turn the corner into profitability all year, but only recently appeared to get there. Iowa hog numbers will decline through the period to 13.4 million head in 2001 as more and more independent producers opt to get out. The season-average farm price for barrows and gilts is forecasted to be 42 percent lower in 1998 than 1997.

Sow price is forecasted to be 47 percent lower. Along with sow prices, barrow and gilt prices are projected to recover slowly through the period to $39.88 per hundredweight and $30.86 per hundredweight, respectively, by 2001.

Iowa’s January 1 Cattle on Feed numbers for 1999 are projected to be 78,000 head lower than last year’s number and are projected to decline another 3 percent in 2000 before ending the period on an up note. Cattle placed in Iowa feedlots are projected to increase slightly in 1999, then decrease for the rest of the period as producers retain more heifers. The forecasted average farm price for a feeder steer in 1998 is $79.56 per hundredweight, and it is projected to increase to $89.46 per hundredweight by 2001.

Iowa net farm income for 1998 is projected down 31 percent from 1997 to $2.53 billion. This is 3 percent below the five-year average of $2.61 billion, from 93 to 97 percent. The 1998/99 income is bolstered by the U.S. government’s announcement of an extra production flexibility contract (PFC) payment and other disaster relief (see article on government payments). Net farm income is projected to decline even farther to $2.24 billion in 1999 before recovering slightly toward the end of the period.