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Impacts on Iowa

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Iowa agriculture, generally, faces a positive outlook for the next 10 years. The increased and stable world economic growth, coupled with new government policies (GATT, NAFTA, and FAIR Act), will place the Iowa producers in an advantageous position. They will be able to have greater ability to respond to market signals and benefit from crop rotations. As a result, more soybeans will be planted (Figure 1). Production of corn is expected to average 1.65 billion bushels in 1997-98 and rise to 1.80 billion bushels by 2005-06. Soybean production will increase to 440 million bushels in 1997-98 and reach almost 500 million bushels by the end of the period. Prices for these commodities will follow the U.S. average farm prices and are bullish relative to the past ten years (Figure 2).

Iowa prices and production cycles follow the U.S. levels (Figure 3). Barrows and gilts, 230-250 lb., are expected to peak in 1997, 2001, and 2005 at $51.74 per cwt., $47.73 per cwt., and $48.83 per cwt. respectively. Fed cattle prices are beginning to climb after hitting the bottom in the cycle in 1996. Prices will continue to climb until 2001 ($81.85 per cwt.) when the cycle turns and prices fall until the end of the projection period.

Iowa cash receipts fall slightly this year due to lower crop prices. After 1998-99, receipts are expected to climb gradually to the end of the period where they reach $12.9 billion (Figure 4).

The positive economic outlook for the world implies optimism for Iowa agriculture on average. Unforeseen events such as weather catastrophes, political hostilities, or a reversal of a movement toward "free trade," could limit the strong demand. For now, however, there is a generally positive outlook for U.S. agriculture and the agricultural sectors in which Iowa plays an important role.

For producers, the increased market orientation puts added emphasis on marketing and financial management. In this environment, rewards are high, but risk has increased as well.