August 2015

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CARD 1995 Iowa Baseline Results  
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CARD's 1995 Iowa baseline, the set of benchmark numbers used to determine how agricultural policies at the federal level affect local Iowa farmers, was recently completed (Iowa Agriculture 1995). The ten-year projections are based on the FAPRI analysis of U.S. and world markets and represent a composite of model results and judgments regarding future Iowa, U.S., and international crop and livestock production, consumption, and trade. The baseline results are not a forecast, but instead represent a scenario conditional upon Iowa, U.S., and international income growth assumptions and continuation of current agricultural policies.

An important U.S. agricultural policy assumption driving the baseline results concerns the Conservation Reserve Program (CRP). The analysis uses the Congressional Budget Office (CBO) assumption of a 15 million acre extension for the entire United States in 2000. Also, the same proportion of contracts extended by the CBO from 1996-2000 are used for contracts expiring after 2000. These policy assumptions imply that 179,500 acres are added to Iowa CRP acreage in 1995 and the total Iowa CRP acreage is 1.7 million acres in 2004. The CRP program favors a shift to corn and soybeans and allows smaller Acreage Reduction Program (ARP) rates.

The baseline projections for Iowa corn, soybeans, and net farm income are highlighted here.

Iowa Corn

The 1993 Iowa corn yields, 80 bushels per acre, were the lowest in twenty years due to the massive flooding. As a result, the season average corn price rose $0.50 per bushel from the previous marketing year. In 1994, excellent growing conditions produced a record corn crop. Iowa corn yields averaged 152 bushels per acre and production exceeded 1.9 billion bushels. In 1995, Iowa corn planted acreage returns to 12.2 million acres from the 1994 level of 13 million acres. Higher corn prices are expected due to an ARP rate of 7.5 percent and CRP renewals favoring corn and bean acreage. Corn prices strengthen moderately after 1997 due to stronger exports, increased feed use from broilers, and reduced acreage from CRP contract renewals.

Iowa Soybeans

The 1993 flood also caused soybean yields of 31 bushels per acre, the lowest in twenty years. The reduced yields caused soybean prices to rise $0.96 per bushel from the previous marketing year. Excellent growing conditions produced 1994's record soybean crop of 447.27 million bushels with yields of 51 bushels per acre. With the abundant supply, Iowa soybean prices returned to "normal," falling $1 per bushel from the last year's flood season average. In 1995, Iowa soybean planted acres are projected to decrease slightly as the soybean to corn ratio favors corn at planting. Also, acreage expansion moderated by CRP renewals becomes focused on corn and bean acres.

The ten-year projection shows a stronger overall soybean demand throughout the ten-year projection period, due to increased soybean exports along with greater domestic and industrial uses.

Iowa Net Farm Income

The 1993 flood had disastrous regional effects on Iowa farms. Iowa net farm income plummeted nearly 1.4 billion dollars, but U.S. crops cash receipts actually increased. In Iowa, corn and soybean cash receipts fell $440 and $97 million, respectively. The reduced Iowa crop caused livestock feed expenses to rise $35 million. Federal disaster assistance of $300 million paid to Iowa farmers in 1993 and 1994 slightly lessened the effects of the flood. In 1994, net farm income showed mixed results. Corn and soybean cash receipts increased, while weak hog and cattle prices forced livestock cash receipts to decrease. In the aggregate, 1994 Iowa net farm income increased $1.9 billion from the previous year. The outlook over the ten-year projection period shows continued short-run weakness in hog and cattle prices with moderate improvements toward the end of the baseline period. Crops cash receipts show continued strength throughout the baseline. Overall, Iowa net farm income remains relatively stable throughout the projection period due to decreased cash receipts from livestock and declines in direct government payments.