

ECONOMIST CORNER

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LIVESTOCK

The hog market has shown surprising strength this spring, particularly since pork production has been running 3%-4% ahead of last year. Market hog prices achieved \$80 in May and could go higher still. An exploding export market has contributed substantially to the rally, as January-March pork exports were up 26% from the year before. Although prices have backed off somewhat from last week, continued seasonal gains seem likely. The seasonal peak occurring before mid June is rare. Look for hog prices to trend back up to the mid \$80's before peaking this summer.

The latest cattle on feed report showed the May 1 cattle on feed inventory down 1.7% from the year before. This represents the first such seasonal decline since October 2003. Total cattle slaughter has run nearly 8% below last year. The anniversary of the Canadian BSE announcement occurred this week. Consequently, weekly slaughter can now be compared against year ago volumes that exclude Canadian cattle imports, providing a more accurate picture of the actual change in domestic slaughter. Cash live cattle prices have retreated this past week, currently trading in the mid to upper \$80 range. By historical standards, there is strong likelihood that the seasonal peak is already behind us. We expect cattle prices to drift to the lower \$80's this summer.

GRAIN

Corn and soybean prices are likely to remain quite volatile until at least early July, when acreage of individual crops and yield prospects will be less uncertain. Old-crop soybean supplies remain very tight, but price impacts will depend on how much soybean meal is imported into the U.S. this summer. Domestic soybean crushings from May through August will need to be 20 to 22 percent below a year earlier because of limited supplies. A similar decline in soybean meal production is almost certain to occur. Facilities at New Orleans are not designed to handle imports, so meal imports are expected to be restricted mainly to a few southeastern and California ports. U.S. soybean exports this summer also will be well below a year earlier because of limited supplies. These conditions may lead to short-term strength in old-crop soybean prices. New-crop markets likely will be dominated by weather and crop prospects.

Because of rapid growth in U.S. corn processing for ethanol and two consecutive years of major foreign weather problems, last year's record corn crop was not large enough to supply market requirements. As a result, U.S. and foreign feed grain stocks are being sharply reduced. Even with a large upward revision in Chinese corn stocks data in May, the world crop is expected to bring foreign feed grain stocks down to historically low levels. In the U.S., August 31 corn carryover stocks will be well below the average of recent years but nearly double the recent low level of August 31, 1996. For the year ahead, USDA projects a record U.S. corn crop of about 10.43 billion bushels will be inadequate to meet market requirements and will bring another reduction in stocks by August 31, 2005. That projection assumes the U.S. average corn yield will reach a record 145 bushels per acre. Foreign producers are projected to harvest modestly below normal yields. With prospects for another decline in carryover stocks next year, corn prices will be extremely sensitive to summer weather conditions.

Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		Apr. ¹ 2003	Mar. ¹ 2004	Apr. ² 2004	Mar. ¹ 2004	Apr. ² 2004
-----Dollars-----						
Corn	bu	2.26	2.67	2.85	2.75	2.87
Oats	bu	2.03	1.86	1.70	1.62	1.63
Soybeans	bu	5.76	9.41	9.70	9.27	9.54
Alfalfa, Baled	ton	79.00	88.00	91.00	85.90	92.70
All Hay, Baled	ton	78.00	87.00	90.00	81.80	89.60
All Hogs	cwt	34.90	48.60	45.00	47.20	45.10
Sows	cwt	29.30	41.30	39.70	39.70	38.90
Brws & Gilts	cwt	35.00	48.70	45.10	47.50	45.40
Beef Cattle	cwt	75.30	87.50	90.10	83.40	85.30
Cows	cwt	40.00	46.20	49.10	46.60	49.00
Strs & Hftrs	cwt	75.70	88.30	90.50	87.90	89.70
Calves	cwt	93.00	107.00	104.00	115.00	116.00
Milk Cows ³	hd	1,290	--	1,680	--	1,580
Milk (whls)	cwt	11.20	15.70	18.30	15.40	18.00
Sheep	cwt	31.50	37.60	--	36.70	--
Lamb	cwt	90.00	102.00	--	104.00	--
Eggs (mkt)	doz	0.446	0.939	0.537	1.00	0.614

¹Corn, oats, soybeans, all hogs, all cattle, all sheep, and milk are whole-month prices. All hay and eggs are mid-month prices. ²All prices are mid-month. ³Prices published January, April, July, and October.

Price Index Summary Table

Prices Received	IOWA			UNITED STATES		
	Apr. 2003	Mar. 2004	Apr. ¹ 2004	Apr. 2003	Mar. 2004	Apr. ¹ 2004
1990-92=100 ²						
Prices rec'd.	94	132	134	101	121	124
Crops	102	140	147	110	120	122
Lvstk Prods.	85	124	122	93	121	125
1910-14=100 ³						
Prices rec'd.	--	--	--	640	768	787
Crops	--	--	--	543	593	600
Lvstk Prods.	--	--	--	717	932	963

¹Preliminary. ²1990-92=100 reference replaced 1977=100 in January 1995. ³Iowa figures for 1910-14=100 base not available.

U.S. Prices Paid Index Summary

Prices Paid	Apr. 2003	Mar. 2004	Apr. 2004	Apr. 2003	Mar. 2004	Apr. 2004
	1990-92=100			1910-14=100		
Prices paid ¹	128	133	133	1699	1767	1776
Feed	113	129	131	553	631	638
Ratio ²	79	91	93	38	43	44

¹Prices paid by farmers for commodities and services, interest, taxes, and farm wage rates. ²Ratio of index of prices received to index of prices paid for commodities and services, interest, taxes, and farm wage rates.

