

ECONOMIST CORNER

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LIVESTOCK

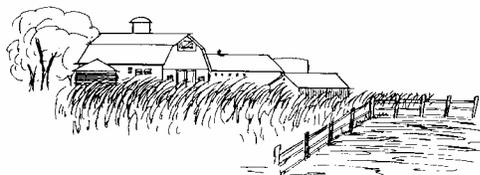
The cattle market continues relatively strong due to seasonally tight supplies. The Canadian border remaining closed to live cattle under 30 months of age also keeps the supply tighter than it otherwise would have been. Live fed cattle prices rallied in to the low \$90 for a few days in late March. Seasonally, fed prices often decline after mid April and typically see a \$5-6/cwt decline from spring to a summer low. This year should follow a similar pattern, but may decline more than normal if the border opens in the summer along with the increase in US supplies. Fed cattle prices are expected to decline into the low \$80s and possibly upper \$70s in the third quarter.

Pork demand continued relatively strong through the first quarter of 2005 and supplies are expected to remain near year earlier levels most of the year. Hog prices are forecast to increase from current levels to the mid-upper \$50s by early summer. The March Hogs and Pigs report didn't indicate signs of expansion and hog imports to date from Canada are actually lower than they were during the same weeks of 2004. As a result the 2005 supply is expected to be comparable to the year earlier levels and prices should be similar to 2004 levels as well.

GRAIN

Despite prospects for larger plantings than expected, soybean prices are likely to remain volatile for the next several months. Uncertainty about Asian rust will be the major source of volatility. It looks quite likely that some time this spring or summer there will be reports of Asian rust in soybeans in the South. The first such report is likely to bring another round of strength in soybean prices. But keep in mind that unless rust becomes a major problem across the U.S. Soybean Belt, upward price potential will be limited some by a large world crop. Even at the low end of recent private estimates of Brazilian production, the 2004-05 world soybean production is indicated to be 15% above last season. That is the third largest percentage increase in world production since 1980. Production in 2004-05 includes the U.S. crop harvested last fall and South American production being harvested this spring.

Corn prices will take direction from spring fieldwork progress, volatility in soybean prices, and weekly export sales. Intended plantings are a little less than expected earlier. Lower than expected winter quarter corn feeding will partially offset the lower than expected prospective plantings, and almost certainly will bring a large increase in old-crop corn carryover stocks this September 1. With normal growing conditions around the Midwest, there would be moderate down-side risk in corn prices by late summer and fall. Lower than expected corn feeding may be due partly to the sharp increase in availability of distillers grain and solubles (DGS) from new ethanol plants. DGS replaces some corn in livestock rations, as well as soybean meal.



Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		Mar. ¹ 2004	Feb. ¹ 2005	Mar. ² 2005	Feb. ¹ 2005	Mar. ² 2005
----- Dollars -----						
Corn	Bu.	2.67	1.88	1.95	1.95	2.03
Oats	Bu.	1.86	1.90	1.85	1.66	1.60
Soybeans	Bu.	9.44	5.32	6.20	5.42	6.28
Alfalfa, baled	Ton	88.00	85.00	85.00	91.90	96.40
All hay, baled	Ton	87.00	82.00	84.00	84.70	89.10
All hogs	Cwt.	48.60	52.00	54.60	50.70	51.50
Sows	Cwt.	41.30	46.10	44.00	45.00	43.80
Bar. & Gilts	Cwt.	48.70	52.20	54.80	51.00	51.80
Beef Cattle	Cwt.	87.50	93.90	97.20	89.00	91.90
Cows	Cwt.	46.20	53.30	56.50	52.40	53.60
Strs. & Hfrs.	Cwt.	88.30	94.70	98.00	93.30	96.30
Calves	Cwt.	107.00	122.00	125.00	128.00	132.00
Milk cows ³	Hd.	--	--	--	--	--
Milk (whls)	Cwt.	15.70	16.20	16.40	15.50	15.60
Sheep	Cwt.	37.60	51.00	--	51.30	--
Lambs	Cwt.	102.00	111.00	--	114.00	--
Eggs (mkt)	Doz.	0.939	0.32	0.29	0.358	0.327

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		
	Mar. 2004	Feb. 2005	Mar. ¹ 2005	Mar. 2004	Feb. 2005	Mar. ¹ 2005
<u>1990-92=100²</u>						
Prices rec'd.	130	105	111	121	114	118
Crops	140	89	97	121	106	113
Lvstk Prods.	120	120	124	122	119	122
<u>1910-14=100³</u>						
Prices rec'd.	--	--	--	770	722	749
Crops	--	--	--	596	524	559
Lvstk Prods.	--	--	--	932	917	934

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	Mar. 2004	Feb. 2005	Mar. 2005	Mar. 2004	Feb. 2005	Mar. 2005
	1990-92=100			1910-14=100		
Prices paid ¹	132	135	135	1758	1796	1804
Feed	124	99	98	606	506	500
Ratio ²	92	84	87	44	40	42

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.