

ECONOMIST CORNER

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LIVESTOCK

Barrow and gilt prices have posted year-over-year increases from mid-March 2003 until mid-May 2005. These higher prices were largely demand driven as pork supplies increased over this time period. Prices for the week ending May 20 were lower than the same week in 2004, but that was also the high price for that year. It is likely that we have not seen the highest prices for 2005 yet. Since 1972 the high has come earlier than week 20 (mid-May) only 5 times and they were in January or February. Seventeen times the summer high occurred in weeks 20-26 and 5 times it was in weeks 27-30. It occurred in weeks 25 or 26 in the 4 years 2000-2003. Thus, odds favor another rally in the market over the next 6 weeks and likely into the mid- to upper \$70s carcass basis.

While hog prices tend to rally into the summer months, fed cattle prices normally decline. Increased weekly slaughter and heavier slaughter weights push beef supply ahead of beef demand even during the peak grilling season. Carcass weights are running heavier than the same week in 2004 and probably hit their seasonal low in early May. The Choice-Select spread widened to \$16 in early May and is expected to decline into mid-summer. The market is still awaiting news on live cattle trade with Canada and beef trade with Japan. Both are progressing slowly and some analysts are not factoring in either border opening in 2005. The forecast is for fed cattle prices to weaken into a low in July or August likely in the low \$80s on a live basis with stronger prices in the fall. Announcements about Canada or Japan will continue to make for volatile markets.

GRAIN

Corn prices for the next several weeks will be moderately sensitive to weekly crop condition reports from Nebraska and the Dakotas to Ohio, as well as weather patterns over this region. The slower crop emergence and cool temperatures have caused traders to be less certain about this year's yield prospects than at the start of the planting season. An added uncertainty is that through late May, spring rainfall in a large part of the eastern Corn Belt had been well below normal. Potential price strength will be tempered some by prospects for the largest U.S. corn carryover stocks in 17 years, and by export demand that has been well below official early-season projections. Along with weekly crop and weather reports, the June 30 grain stocks and planted acreage reports will be key market indicators. In years of unusually early corn plantings, corn acreage has tended to exceed March planting intentions, so planted acreage numbers will be watched closely by grain traders this year. The stocks report will provide an updated indication of domestic feed use of corn. Previous stocks reports indicated feed demand has been below last year and generally weaker than expected.

Soybean prices will remain modestly sensitive to weekly weather and crop condition reports released on Monday afternoons, and potentially very sensitive to any indication of Asian soybean rust spreading to soybean crops in the South. At press time (May 23), Asian rust had not been found in sentinel plots or commercial soybeans in the U.S., although it had been found on volunteer soybeans in one county in southwest Georgia and on Kudzu in Florida. Georgia, Florida, and Alabama are very minor producers of soybeans. Weekly export sales reports (released on Thursday mornings) also will be important market indicators.

Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		Apr. ¹ 2004	Mar. ¹ 2005	Apr. ² 2005	Mar. ¹ 2005	Apr. ² 2005
-----Dollars-----						
Corn	Bu.	1.85	1.98	1.90	2.02	1.94
Oats	Bu.	1.30	1.93	1.90	1.74	1.57
Soybeans	Bu.	4.47	5.86	5.95	5.95	5.96
Alfalfa, baled	Ton	86.00	84.00	82.00	96.40	103.00
All hay baled	Ton	84.00	85.00	81.00	89.10	96.90
All hogs	Cwt.	39.00	52.80	51.50	51.20	50.20
Sows	Cwt.	34.30	46.00	44.50	43.50	42.00
Bar. & Gilts	Cwt.	39.10	52.90	51.60	51.50	50.50
Beef Cattle	Cwt.	74.00	94.20	93.20	91.30	91.60
Cows	Cwt.	37.80	55.50	60.80	55.00	57.10
Strs. & Hfrs.	Cwt.	74.40	95.00	93.50	95.50	95.60
Calves	Cwt.	98.50	135.00	138.00	135.00	139.00
Milk cows ³	Cwt.	1,190	--	1,850	--	1,770
Milk (whls)	Cwt.	12.90	15.80	15.60	15.60	15.40
Sheep	Cwt.	--	43.90	--	48.20	--
Lambs	Cwt.	--	109.00	--	114.00	--
Eggs (mkt)	Doz.	.374	.290	.220	.327	.261

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

Price Index Summary Table

Prices Received	IOWA			UNITED STATES		
	Apr. 2004	Mar. 2005	Apr. ¹ 2005	Apr. 2004	Mar. 2005	Apr. ¹ 2005
1990-92=100 ²						
Prices rec'd.	137	108	107	125	119	120
Crops	145	96	94	123	116	118
Lvstk Prods.	128	120	120	126	121	121
1910-14=100 ³						
Prices rec'd.	--	--	--	793	756	762
Crops	--	--	--	608	572	584
Lvstk Prods.	--	--	--	967	932	929

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. 2004	Mar. 2005	Apr. 2005	Apr. 2004	Mar. 2005	Apr. 2005
	1990-92=100			1910-14=100		
Prices paid ¹	133	139	140	1777	1846	1860
Feed	131	114	115	639	557	564
Ratio ²	94	86	86	44	41	41

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.

