

CORN, SOYBEAN CARRYOVER STOCKS TO INCREASE SLIGHTLY IN 1999-00

USDA's October 8 crop report confirmed earlier indications that corn yields in much of the Corn Belt are turning out better than previously expected, while soybean yields are a bit disappointing. The U.S. soybean crop is now indicated to be 1.6% smaller than last year's record production, but 4% larger than last year's utilization. The nation's corn crop is estimated to be 3% below last year due to declines in both yields and acreage. Yields are below those of last year in the eastern Corn Belt and Missouri, but elsewhere are generally at or above 1999. Soybean yields have been slightly below earlier expectations over much of the Midwest and South due to inadequate rain in late August and early September. U.S. corn production is indicated to be about two percent larger than the 1998-99 marketing year utilization, and a small increase in carryover stocks is indicated for August 31, 2000. The soybean crop is estimated to be about 1% larger than expected utilization, and a small rise in U.S. soybean carryover stocks also is anticipated in the current marketing year. From a storage space standpoint, the increase in the corn production estimate was about offset by a decrease in the soybean estimate.

World Feed Grain Crop Prospects Improve

In the USDA World Crop Report, projected world feed grain stocks for the end of the 1999-00 marketing year were increased by 400 million bushels (corn equivalent) from last month due to improved crop prospects in the U.S., eastern Europe, southeast Asia, and China. World stocks are now projected to remain about the same as a year earlier, in contrast to the modest decline expected just a month ago. The feed grain crop estimate for China now is about 120 million bushels above last month, but down 4% or 236 million bushels from 1998. Despite the smaller crop, USDA projects Chinese corn exports for this marketing year to be 43% or 60 million bushels above last season. China has been aggressively subsidizing its corn exports in recent weeks, probably to move excess old-crop stocks and make room for the 1999 harvest.

Price Implications for Corn

The U.S. and world crop estimates are slightly negative for corn price prospects for the rest of the fall and winter. They paint a picture of potential pressure on storage space in the western Corn Belt as the harvest reaches the last 10 to 15%. Relatively strong export demand is expected, but with moderate competition from China. The U.S. private sector faces a potential major challenge in financing the nearly a 2 billion bushel carryover to be stored for another year next August. It would not be surprising to see cash corn prices work a little lower in the next few weeks as the last third of the harvest is completed. Modest price strength is likely into late January or early February, with additional price strength likely in the spring fieldwork season. Late February and early March prices may weaken a little as farmer marketings increase to meet spring expenses. A normal seasonal rise in north central Iowa cash prices from the harvest low into May and early June would be about 25 cents per bushel. An increase of that size or slightly more is a good possibility this marketing year. However, barring major crop problems over much of the Midwest, there is strong potential for lower prices in the last third of summer as CCC 9-month loans mature and farmers have to decide what to do with the corn.

Bean Prices Depend on S. American Weather

In contrast to corn, the latest crop estimate, combined with dry soils in Brazil, is slightly constructive to soybean price prospects for at least the next several weeks. However, price strength will be tempered by prospects for a further rise in soybean carryover stocks by August 31, 1999. The South American soybean-planting season typically gets into full swing the second or third week of November, but can extend into late December, and early January in some areas. Weather specialists indicate current conditions could develop into an El Niño pattern, which would be favorable for South American crops, as well as next year's U.S. production.

Corn and Soybean Balance Sheets

Tables 1 and 2 show current corn and soybean balance sheets, using the USDA October 8 crop forecasts and my projections of utilization, stocks and prices for the current marketing year. Marketing year average prices for both crops are projected to be lower than in 1998-99, due largely to lower prices this fall and expected lower prices in the winter than a year earlier.

U.S. SOYBEAN BAL. SHEET (MIL.BU.) 10/8/99

	1994-5	1995-6	1997-8	Proj. 1998-9	Proj. 1999-00		
					A	B	C
Supplies:							
Harv. A.,Mil.	60.9	61.6	69.1	70.8	73.0	72.8	73.6
Bu./A.	41.4	35.3	38.9	38.7	35.5	37.0	38.0
Production	2,517	2,174	2,689	2,741	2,592	2,696	2,797
Imports	5	4	5	4	8	4	5
Carryover	209	335	132	200	348	348	348
Total	2,729	2,514	2,826	2,945	2,947	3,047	3,150
Utilization:							
Crush	1,405	1,370	1597	1592	1,610	1,625	1,640
Exports	838	851	870	812	875	885	915
Other Domestic	151	109	158	193	175	159	169
Total	2,395	2,330	2,626	2,597	2,660	2,669	2,724
Carryover	335	183	200	348	287	378	426
U.S. Avg. Price, (\$)	5.48	6.72	6.47	5.02	5.15	4.70	4.50
Ia. Avg. Price (\$)	5.38	6.67	6.37	4.92	5.05	4.60	4.40
N.C.Ia.Harv.Pri. (\$)	4.90	6.75	6.05	4.80	4.65	4.45	4.15
Meal Dectr/T 48% (\$)	163	236	185	138	170	155	145
Meal, 44% (\$)	154	222	174	131	161	146	137
Soy Oil, Decatur	27.5	24.7	25.8	20.3	17.5	16.5	16.0
Nov. Fut. @Hrv. (\$)	5.28	7.15	6.50	5.30	5.20	5.05	4.80
Harv. Ldp, Avg. (\$)					0.55	.75	1.05
Harv. Price + Ldp (\$)					5.20	5.20	5.20
Carryover, % Of Use	14.0	7.9	7.6	13.4	10.8	14.2	15.6

CORN BAL. SHEET (MIL.BU.) 10/8/99

	1994-5	1995-6	1997-8	Proj. 1998-9	Proj.1999-00		
					A	B	C
Plant. A(Mil.)	79.2	71.2	79.5	79.9	77.9	78.1	78.8
Harv.A.(Mil)	72.9	65.0	72.7	72.3	70.7	70.9	71.8
Bu./A.	138.6	113.5	126.7	134.4	132.0	133.5	134.5
Production	10,103	7,374	9,207	9,761	9,332	9,467	9,657
Imports	7	16	9	20	12	9	7
Carryover	850	1,558	883	1,308	1,796	1,796	1,796
Total	10,960	8,948	10,099	11,089	11,141	11,272	11,460
Utilization:							
Feed & Resid.	5,533	4,711	5,505	5,486	5,450	5,500	5,550
Food, Ind. & Seed	1,693	1,583	1,782	1,822	1,860	1,880	1,895
Exports	2,177	2,228	1,504	1,985	1,950	1,950	2,000
Total	9,402	8,522	8,791	9,293	9,260	9,330	9,445
Carryover	1,558	426	1,308	1,796	1,881	1,942	2,015
U.S. Farm Price (\$)	2.26	3.95	2.43	1.95	1.95	1.85	1.80
Iowa Avg. Price (\$)	2.2	3.85	2.33	1.85	1.85	1.75	1.70
Harv. Price, C.Ia (\$)	1.80	2.90	2.40	1.75	1.45	1.40	1.35
Dec. Fut. @ Harv. (\$)	2.20	3.35	2.80	2.10	1.95	1.95	1.90
Long-Term Prob. (%)					10	70	20
Corn+Soybean supply	13,689	11,462	12,926	14,034	14,088	14,320	14,610
Chng. vs. 1994-95 (%)	0	-16.3	-5.6	2.5	2.9	4.6	6.7
" " (mil. bu.)	0	-2,227	-763	345	399	631	921
Carryover (% of use)	16.6	5.0	14.9	19.3	20.3	20.8	21.3

Storage Returns

Analysis of on-farm corn storage returns for north central Iowa since 1979-80 shows average net returns peaking at about 10 cents per bushel in May. The net return is after deducting extra drying and shrinkage to 13.5% moisture, interest cost, extra handling, and 1% quality deterioration and storage shrink. Bin ownership costs were excluded. Storage was profitable into the spring in only about half of the years from 1979-80 through 1998-99. This year, the futures market and some elevator/ processor contracts for winter spring delivery are offering much larger than average storage returns. For soybeans, average net returns peaked out in the first one to two months after harvest, at about 10 cents per bushel and a frequency of profitable storage of just over 70%. Storage into late February and March generated average losses of 10-

12 cents per bushel, and into May gave profits of about two cents. Storage of both corn and soybeans into late summer was high-risk, and unprofitable on average.

Robert Wisner

OCTOBER CATTLE ON FEED SUMMARY

The initial reaction by the trade was that the October Cattle on Feed report was bullish. Inventories and marketings were slightly higher than pre-report estimates, while placements were lower.

The USDA estimated there were 10.27 million head of cattle and calves on feed in 1,000+ capacity feedlots October 1, 1999, up 5 percent from October 1998. The inventory in the historic 7-states was 8.78 million head, also up 5 percent. Placements during September were up 4 percent in the US and the 7-states compared to a year earlier. September marketings were up 5 percent in the US lots, but 7 percent higher in the 7-states.

There is no sign of a beef breeding herd expansion in sight. The inventory of steers in US feedlots was up 4 percent for the year before while heifer inventories were up 6 percent for the same period. Forty percent of the cattle on feed were heifers. This figure has been 38 percent or higher since January 1997. It was under 34 percent in October 1995. While things may change this fall, thus far producers have been feeding rather than breeding heifers.

The increase in placements comes primarily from lighter weight cattle. Placements weighing over 800 pounds was down 131,000 head or 14 percent. Placements between 700-799 pounds were 38,000 head less or 5 percent lower. However, 600-699 pound placements were up 77,000 head (+16 percent), and under 600 pound placements were up 191,000 head or 44 percent.

Demand has been driving the strong cash market we have seen this fall. Through the first half of 1999 compared to the same period in 1998, supplies decreased 1 percent and fed cattle prices were unchanged. However, in the third quarter supplies increased 3.7 percent in 1999 and fed cattle prices *increased* 8.9 percent. Weekly slaughter has averaged 720,000 head since mid August excluding Labor Day week. This level is comparable to weekly slaughter in late June when prices were near \$65 versus the \$69-70 price currently. Compared to a year ago we are processing 25,000 more cattle a week on a \$10/cwt higher market.

The Cattle on Feed report indicates that supplies will remain large into the first of next year. Weights are about equal to a year ago. As long as demand remains strong prices will stay in the upper \$60s or better. However, weakening demand will quickly result in lower fed cattle bids as last June and October proves.

Hog Prices Remain Strong

Cash live hog prices have held relatively strong following the September USDA Hogs and Pigs report, in spite of larger than anticipated slaughter. The weekly average Iowa-Southern Minnesota base live hog price averaged \$33.00 for the week ending October 16th. This price is down approximately \$2.00 from 2 weeks prior, but still very near the average of \$33.20 for the week the report was issued. Last week's average price of \$33.00 is nearly 15 percent higher than the \$28.80 average for the same week in 1998.

Slaughter levels are running above year earlier levels and above the Hogs and Pigs report projections. Slaughter for the week ending October 16th is estimated at 2.109 million head, up 2.1 percent from the 2.066 million head in 1998. Since Labor Day, slaughter has totaled 10.211 million head for the past 5 weeks. This compares with 10.196 million head from the same 5 weeks in 1998, a 1.5 percent increase. These slaughter levels are considerably higher than the 2.4 percent decline in 180 pounds and over hogs the USDA projected as of September 1st in the Hogs and Pigs report.

Slaughter weights are experiencing their seasonal increase. The average slaughter weight in Iowa-Southern Minnesota was 257.2 pounds for the week ending October 9th, 2.2 pounds above the same week in 1998. Weights have climbed over 7 pounds in the past 2 months. Continued large slaughter levels could lead to even heavier weights if delays in slaughter occur.

Strong meat demand appears to be holding up cash hog prices in spite of larger slaughter runs and heavier weights. Slaughter levels currently should be below year earlier levels. If the demand for pork continues to be strong and slaughter levels decline, cash hog prices should be able to avoid the large drop in price the industry experienced in 1998. Producers are encouraged to keep current with their marketings to help hold down slaughter weights and overall pork production.

John Lawrence & Alan Vontalge

1999 ProAg Outlook Meetings

<u>Date</u>	<u>Town</u>	<u>Facility</u>	<u>Time</u>	<u>Registration fee</u>	<u>Field Specialist</u>	<u>Speaker/Program</u>
10-25	Carroll	Carrollton Inn	11:45 a.m.	None; <i>pre-reg. required</i>	Thomas	Lawrence, Wisner
10-25	Walnut	The Villager	4:00 p.m.	\$15 advance, \$22 at door	Thomas	Lawrence, Wisner
10-26	Greenfield	Adair Co. Ext. Office	8:00 a.m.	None; <i>pre-reg. required</i>	Thomas	Lawrence, Wisner
10-26	Creston	Bernings Cafe	11:30 a.m.	\$10 advance, \$15 at door	Thomas	Lawrence, Wisner
10-26	Shenandoah	Depot Restaurant	5:00 p.m.	\$15 advance, \$25 at door	Eggers, Thomas	Lawrence, Wisner, Jolly
10-27	Spencer	Senior Citizen Bldg.	**	**	Hofstrand	Wisner, Hofstrand
10-28	Mason City	Holiday Inn	**	**	Hofstrand	Wisner, Hofstrand
11-2	Sheldon	Iron Horse Restaurant	5:00 p.m.	\$20	Hook	Wisner, Jolly, Dairy Spec. Magdalena Kurz
11-3	Mapleton	Maple Motel Restaurant	11:00 a.m.	\$15	Hook	Wisner, Jolly, Dairy Spec. Magdalena Kurz
11-3	Sac City	Iowa State Bank	5:00 p.m.	\$20	Hook	Wisner, Jolly, Dairy Spec. Magdalena Kurz
11-4	Ottumwa	Greenbrier Restaurant	4:00 p.m.	\$21 advance, \$25 at door	Mayer	Lawrence, Wisner, Jolly, Mayer
11-17	Ft. Dodge	Webster Co. Ext. office	4:00 p.m.	\$20 in advance	Leibold	Babcock, Leibold
12-1	Waterloo	Celebrations	3:30 p.m.	\$20 in advance	Hufferd	Lawrence, Wisner
12-2	Little Amana	Holiday Inn	3:30 p.m.	\$20 in advance	Vogt	Lawrence, Wisner,
12-7	Decorah	The Villager (Hwy. 9)	3:30 p.m.	\$20 in advance	Tigner	Lawrence, Wisner, Tigner,
12-8	Dyersville	Country Junction	3:30 p.m.	\$20 in advance	Tigner	Lawrence, Wisner, Tigner,

** Late afternoon-definite time not established; registration fee not established.

Please call your county extension office or farm management field specialist for more details on registration