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Ames, Iowa

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SOUTH AMERICAN SOYBEAN CROP ESTIMATE INCREASED

USDA's World Agricultural Outlook Board raised its estimate of combined Brazilian and Argentine soybean production 37 million bushels from last month. Argentina's production is forecast to set a new record, although the Brazilian crop is believed to be slightly below the 1998 record. Total production in the two countries is indicated to be down 1.4% from last year. Acreage is estimated to be slightly above last year in both countries, despite low world prices. ***Combined 2000-01 exports of beans and bean products from the two countries are projected to increase from this past year by 43 million bushels or 2.8%.*** Argentina's sunflower production is estimated to be down approximately 0.7 million metric tons from last year, with its exports expected to decline by a similar amount. The largest impact from the smaller sunflower crop will be on soybean oil competition. The bean equivalent from the oil side should be about 64 million bushels and may be slightly positive to the depressed soybean oil market. ***However, the major factor behind low soybean oil prices is the strong recovery in southeast Asian palm oil production from weather problems two years earlier.***

Combined Brazilian and Argentine soybean exports and bean equivalent of meal exports are projected at 1.58 billion bushels compared with combined U.S. soybean and soybean meal (in bean equivalent) exports for the current marketing year of about 1.3 billion bushels. U.S. soybean exports have been strong relative to a year earlier in the last few months. Late winter and early spring old-crop South American supplies were much tighter than in the fall, reducing competition that U.S. beans faced in world markets. Currently, Brazil's crop is about half harvested, along with 10-15% harvested in Argentina. ***Competition from these two countries will increase sharply starting in late May or early June and continuing through the fall.***

Soybean Export Performance to Date...

U.S. soybean export inspections from last September 1 through April 6 totaled 749.2 million bushels, up 128 million bushels or 20.5% from a year earlier. To meet USDA projections, exports from now through August 31 will need to be 0.7% above a year earlier. China accounted for 51% of the increase in exports so far this season, but appears likely to shift most of its additional purchases to South America in the next several months. Combined U.S. exports from last September 1 through April 6 and outstanding unshipped sales were up 17% from a year earlier. USDA's projected total exports for the marketing year at 930 million bushels are 16% above those of the 1998-99 marketing year. The 930 million-bushel export projection is up 20 million bushels from last month, and up 129 million bushels from last year. USDA projections indicate all of the increase in soybean exports that we can expect for this year has already occurred, and that exports the rest of the season will be about even with those of a year earlier. A continuation of weekly soybean exports above last season for several more weeks would be slightly positive for soybean prices, along with dry-weather concerns.

In this week's supply-demand report, USDA boosted soybean exports by 20 million bushels from last month; however, it lowered domestic crush projections by 10 million bushels. The crush is projected at 1,590 million bushels, the same as last year. It also increased its projection of "residual" use by 10 million bushels, reflecting a larger than expected residual use shown by the March 31 stocks report. Residual use is largely a statistical error term that gives

clues about the accuracy of last year's crop estimate. It hints that the crop may have been overestimated by a small amount.

Southern Hemisphere Corn...

As we anticipated as far back as last spring, U.S. corn exports were strong from late winter last year through mid-winter this year. A major driving force has been the sharp (270 million bushel) decline in feed grain production of the three Southern Hemisphere exporters in the winter and spring of 1999. In this week's April 10 World Crop Report, Argentina's feed grain crop estimate was lowered modestly, reflecting drought losses in parts of its Corn Belt. ***USDA now estimates that production in these three countries (Argentina, South Africa, and Australia) will be up 95 million bushels corn equivalent from last year.*** This will likely temper but not severely depress U.S. corn exports from now through early fall. It would not be surprising to see U.S. corn exports drift slightly below a year earlier in the next six months. ***For the fall and beyond, China will be a key swing factor.*** The U.S. Attaché in China has revised his projections of the country's corn exports upward to 394 million bushels, reflecting its efforts to move older, lower quality corn into world markets. Last season, China exported an estimated 243 million bushels. Most of its exports go to neighboring countries, with South Korea being its largest market. Early indications are that Chinese corn plantings will be down in 2000 as it attempts to encourage acreage to shift to soybeans and other oilseeds, where it has had deficit supplies in recent years. China's peak corn exports were almost 500 million bushels in 1992-93. Its 1999 national average yield was near the trend of recent years, and about 25% larger than during China's 1996 drought year.

U.S. Corn Export Performance...

U.S. corn export inspections from last September 1 through April 6 totaled 1,176 million bushels, up 60 million bushels or 5.4% from a year earlier. ***To reach the latest USDA projections, exports from now through August 31 will need to average 16% below a year earlier.*** Cumulative exports plus outstanding unshipped U.S. corn export sales through April 6 were up 4.3% from a year earlier. USDA's latest marketing year total corn export projection is 4% below a year earlier, and 50 million bushels less than projected last month.

Corn Feed Use...

Indicated domestic corn feeding in the second quarter of the marketing year (December-February) was about the same as a year earlier, despite large numbers of cattle on feed. That indication comes from the March 31 grain stocks report, grain export inspection data, and estimated processing volume. That followed a 4.5% increase in indicated corn feeding in the fall quarter, and brings feed use for the first half of the corn marketing year to 2.9% above a year earlier. An extremely mild winter may be an important factor behind the failure of corn feeding to increase in the December-February quarter.

To meet USDA projected corn feeding for the complete marketing year ending August 31, 2000, feed use from now through August will need to average 2.6% above a year earlier. Pasture conditions and the price of wheat will be important influences on the actual level of corn feeding during the summer. Projected U.S. wheat carryover stocks for this year represent 39.4 percent of annual use, vs. 18.4 % for corn.

Robert Wisner

HOG PRICE SEASONALITY AND CATTLE ON FEED REPORT

Hogs prices have inched steadily upward following the March USDA Hogs and Pigs report. Cash live hog prices are up over \$6.00/cwt since the report. Lean hog futures for the summer months are up \$4.00 - \$5.00 since the report and fall futures are up over \$3.00 /cwt.

Much of the strength in prices appears to be coming from the demand side. Hog slaughter for 2000 through the week ending April 8th is down 4.2 percent; total pork production is down 2.9 percent compared with 1999. The Iowa-Southern Minnesota live hog price averaged \$45.24/cwt for the week ending April 8th compared with \$26.84 for 1999. This illustrates the effect demand is having on pork prices. Pork production is down 3 percent; current live hog prices

are over 65 percent higher compared to year earlier levels. Much of the strength in pork prices is coming from bellies. For the week ending April 8th, 11–13 pound trimmed bellies averaged \$90.00/100 lbs compared to \$46.83 in 1999.

In addition to demand driving hog prices higher, we would expect hog prices, based on seasonal trends, to increase from mid-April until the end of May. Table 1 shows the percentage change in the Iowa-Southern Minnesota live hog price by 2-week time periods from 1990 – 1999. The week ending April 15th will be the 15th week of 2000. Going from the 15th to the 17th week of the year (from mid-April until the end of the month) prices increased an average of 2.5 percent over this 10-year period. Prices increased for 6 years an average of 4.7 percent and prices decreased 4 years an average of 0.8 percent. Table 1 shows that, going from week 17 to 19, prices increased 10 years out of 10 and then prices increased 9 years out of 10 from week 19 to week 21. During the month of May, prices have increased 9 years out of 10. Figure 1 also shows the seasonality in hog prices. This figure shows the annual index of prices from 1990–1999. Prices in April have averaged near the average annual price over this 10-year period. Then prices in May–August have averaged nearly 110 percent of the annual average. Over this time period, May prices have been 10 percent above April prices.

While past trends suggest that prices will continue to increase through May and then remain strong through August, producers should use some caution in pricing hogs. Current futures prices for delivering hogs in June and July, after adjusting for a normal basis, are offering over \$70/cwt in the meat or approx. \$52 on a live basis. Given today's costs of production with low grain prices, this could mean profits of over \$40 per head sold. Grain prices could increase sharply if dry weather conditions continue in the Midwest. Additionally, while demand is helping to keep hog prices strong today, if demand would decrease, prices could easily drop as quickly as they have risen. Producers should consider using some form of price protection to ensure low feed costs and/or acceptable market prices.

Table 1.

Change in Hog Prices by Two Week Period, 1990-1999
Iowa Southern Minnesota Barrow and Gilts

Week	Average Change	Years Up	Percent Up	Years Down	Percent Down
1	2.6%	3	20.6%	7	-5.2%
3	10.4%	8	13.2%	2	-0.8%
5	4.0%	10	4.0%	0	---
7	-0.3%	5	2.7%	5	-3.2%
9	-2.5%	3	2.9%	7	-4.8%
11	0.8%	6	3.5%	4	-3.3%
13	0.4%	5	3.5%	5	-2.7%
15	0.9%	5	3.8%	5	-1.9%
17	2.5%	6	4.7%	4	-0.8%
19	6.8%	10	6.8%	0	---
21	5.0%	9	5.6%	1	-0.3%
23	-3.5%	2	1.3%	8	-4.6%
25	2.0%	8	4.2%	2	-6.4%
27	-0.5%	4	4.1%	6	-3.6%
29	-1.6%	6	1.9%	4	-6.8%
31	0.9%	6	2.9%	4	-2.2%
33	0.8%	5	5.9%	5	-4.3%
35	-3.7%	3	1.2%	7	-5.8%
37	-5.5%	1	1.5%	9	-6.3%
39	0.6%	5	4.2%	5	-2.9%
41	-0.1%	5	1.9%	5	-2.2%
43	-5.8%	1	0.7%	9	-6.5%
45	-8.0%	1	1.1%	9	-9.0%
47	0.0%	5	4.5%	5	-4.5%
49	2.3%	6	5.1%	4	-1.9%
51	-4.2%	4	5.4%	6	-10.5%

Source: USDA AMS and Iowa State University Extension Economics

Iowa-Southern Minnesota Barrows and Gilts Price Index 1990-1999

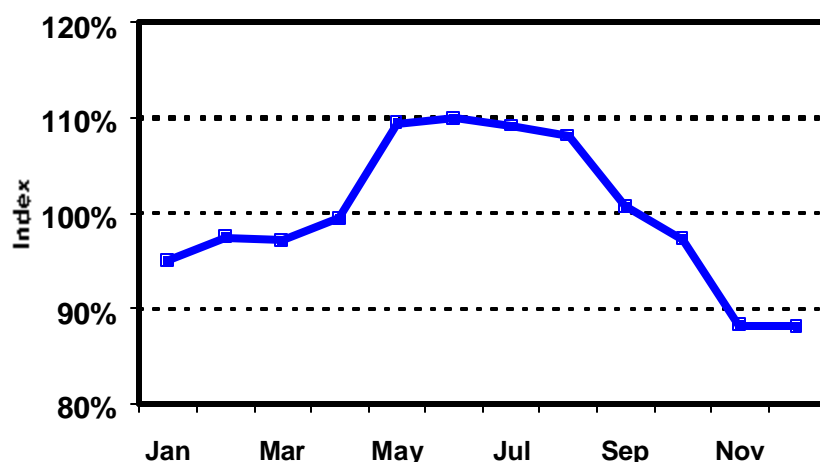


Figure 1

Cattle on Feed Report

The April USDA Cattle on Feed Report estimated all cattle and calves on feed in the U.S. in 1,000+ head capacity feedlots at 11.192 million head on April 1st. This inventory estimate is 7.7 percent above that of April 1, 1999 and 10.6 percent above April 1, 1998. Cattle on feed in 1,000+ head capacity feedlots in the historic 7 states totaled 9.573 million head, up 7.6 percent from 1999 and 11.2 percent higher than 1998. Table 2 summarizes the report.

Table 2. Cattle on Feed Summary, 1,000+ Capacity Feedlots, 7 States, Apr. 1, 2000.		
	1,000 head	% of 1999
On Feed Mar 1	9,695	109.2
Placed during Mar	1,716	98.6
Marketed during Mar	1,764	105.8
Other Disappearance	74	142.3
On Feed Apr 1	9,573	107.6

Heifer Retention

The April Cattle on Feed report also estimated the mix on steers and heifers on feed. As of April 1st the percentage of heifers on feed in 1,000+ capacity feedlots in the U.S. was 38.9 percent. This percent is down slightly from January when it was over 40 percent. This may be one of the first signals that fewer heifers are starting to go into the feedlots and more are going into the breeding herd. Figure 2 shows the percentage of heifers on feed by quarter since October 1995.

Heifers on Feed 1,000+ Capacity Lots

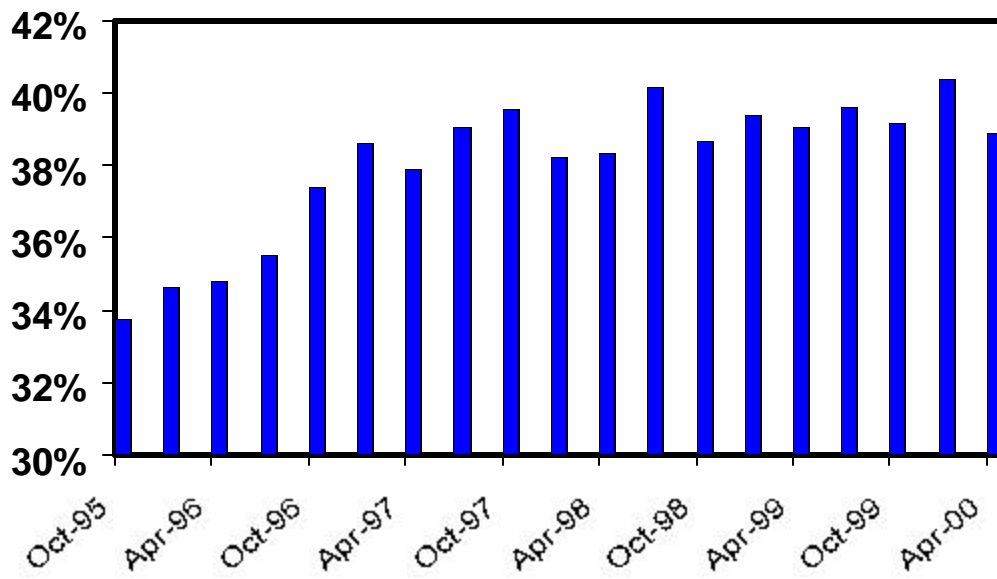


Figure 2

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