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Ames, Iowa

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MIDYEAR UPDATE

The first six months of 2001 have been a generally profitable period for cattle and hog producers. This [Iowa Farm Outlook](#) summarizes the year to date and compares it with the same period in 2000.

Beef production is off by more than 5 percent through June 30 compared with 2000 due to a decrease in both cattle slaughter and average carcass weight (Table 1). The reduction in slaughter is due to less fed slaughter as beef cow slaughter was nearly 9 percent higher. Average carcass weights were approximately 1 percent lower than the year before. Hog slaughter was off slightly in 2001 and pork production was up slightly on heavier carcass weights. Sow slaughter was 3.4 percent higher this year compared with last.

Table 1. Slaughter and Production Data, January–June.

Cattle Slaughter (1,000 head)	2001	2000	01/00 (%)
FI Cattle Slaughter	17,240	17,969	95.9
Steers	8,462	8,976	94.3
Heifers	5,651	5,999	94.2
Total Cows	2,820	2,683	105.1
Dairy	1,328	1,309	101.5
Beef	1,492	1,374	108.6
Production (1,000 lbs)	12532.5	13220.3	94.8
Avg Carcass wt	726.9	735.7	98.8
Hog Slaughter (1,000 head)	2001	2000	01/00
FI Hog Slaughter	47,147	47,445	99.4
Barrows and Gilts	45,471	45,825	99.2
Sows	1,510	1,461	103.4
Sows as % of total	3.20%	3.08%	104.1
Pork Production (1,000 lbs)	9,233	9,182	100.6
Avg Carcass wt	195.8	193.5	101.2

Pork exports through April (latest data available) were 25 percent higher than the same period in 2000 (Table 2). At the same time, pork imports were 12 percent lower. Both figures were likely impacted by FMD concerns in Europe earlier this year. Conversely, beef imports were 8 percent higher while beef exports were 13

percent lower. Imports of live cattle and hogs were larger than in 2000. Hog imports were nearly 29 percent higher and cattle imports were up 23 percent through April. Broiler and turkey exports were higher as were lamb and mutton imports. Egg exports were lower.

Table 2. Trade Data, January–April.

Beef/Cattle Trade	2001	2000	01/00 (%)
Beef Imports (1,000 lbs)	1,065,976	988,257	107.9
Beef Exports (1,000 lbs)	730,382	838,962	87.1
Net Imports	335,594	149,295	224.8
Cattle Imports (head)	963,108	781,470	123.2
Cattle Exports (head)	131,227	133,006	98.7
Net Imports	831,881	648,464	128.3
 Pork/Hogs Trade	 2001	 2000	 01/00
Pork Imports (1,000 lbs)	284,456	323,492	87.9
Pork Exports (1,000 lbs)	534,719	427,374	125.1
Net Imports	(250,263)	(103,882)	240.9
Hog Imports (head)	1,646,676	1,280,534	128.6
Hog Exports (head)	4,620	49,006	8.7
Net Imports	1,597,670	1,275,914	125.2
 Broiler Exports (1,000 lbs)	 2,081,718	 1,743,549	 119.4
Turkey Exports (1,000 lbs)	158,062	148,046	106.8
Egg Exports (1,000 dz.)	24,434	28,364	86.1
Lamb & Mutton Imports (1,000 lbs)	52,519	45,365	115.8

Prices have averaged higher than the same period in 2000 thus far in 2001 (Table 3). Interestingly, the increase in retail prices Jan-May is similar to the farm level price increase Jan-June. Stronger pork demand and increased exports are apparent, as prices have increased 4 percent on slightly higher pork production. The 11-12 percent higher cattle and beef prices are about what we would expect from a 5 percent reduction in beef production, about a 2:1 relationship.

Table 3. Cattle and Hog Price Data, Year-to-Date.

Price Data	2001	2000	01/00 (%)
Nebraska Dressed Price (Jan-Jun)	124.86	112.12	111.4
Retail Beef cents/ retail lb(Jan-May)	335.38	300.04	111.8
 Wstrn Cornbelt Wted Avg Carcass	 61.38	 59.01	 104.0
Retail Pork cents/retail lb (Jan-May)	263.5	252.2	104.5

John Lawrence

USDA JULY 11 REPORTS, CHINA, WEATHER AND THE GRAIN MARKETS

Both corn and soybean markets moved into a strong uptrend in early July as the grain trade attempted to assess uncertain U.S. crop prospects along with potential Chinese grain exports and imports, and an expected decline in U.S. corn and soybean carryover stocks in 2002. November soybean futures closed a major chart gap and appeared to be intent

on closing another that was created last winter as the market was pressured by prospects for large South American crops. December corn futures prices rose to levels translating into local harvest-time cash prices slightly above loan rates. Strong domestic demand was another supporting development behind these price trends. Recent trends in corn and soybean futures prices (as well as other commodities) are shown at: http://www.tfc-charts.w2d.com/custom_menu.php3. On the above web site, note the 25% rise in November canola futures prices in the last several weeks. Canola is a major competitor of soybeans in world markets, especially on the oil side of the complex. The dramatic increase reflects dry weather in western Canada, as well as expectations for reduced palm oil production in the year ahead. Trends in canola futures in the next several weeks could be another important indicator of what is ahead for soybeans.

Also, some international analysts are anticipating an El Niño-led drought in Malaysia and Indonesia, the world's largest palm oil exporters. Other weather analysts indicate recent weather patterns may be showing signs of movement toward a La Niña pattern, which could encourage production. Additionally, the Malaysian government has encouraged producers to cut older trees and re-seed. New plantings normally take 5 or 6 years to come into production. These developments may provide some support to soybean oil prices.

Supply-Demand Reports

USDA supply-demand reports, taken at face value, were not major positive influences on prices. The USDA World Agricultural Outlook Board placed this year's U.S. average corn yield at 137 bushels per acre and soybeans at 39.5 bushels per acre. These yields compare with 137.1 and 133.8 bu./A. for corn in the past two years and 38.1 and 36.6 bu./A., respectively for soybeans. If the USDA projections materialize, the decline in U.S. corn carryover stocks next year would be quite modest, and U.S. soybean carryover stocks would be expected to increase moderately. ***However, these yields are adjusted trend projections and do not reflect actual field conditions.*** Weekly Weather and Crop reports indicate corn crop conditions in major states as a group are slightly less favorable than last year, with soybeans in relatively less favorable condition than corn. Most grain traders probably believe yields will be less than the USDA projections. The first official field-based USDA corn and soybean yield forecasts will be in the August 10 crop report, which also may contain slightly reduced acreage estimates to reflect late plantings. A modestly lower corn yield and a soybean yield 2 or 2.5 bushels per acre less than USDA's projection would almost certainly bring moderately reduced carryover stocks of both crops in 2001, with season average corn prices probably above the loan rates. Our most recent U.S. grain balance sheets and USDA's latest wheat balance sheet are at: <http://www.econ.iastate.edu/faculty/wisner/>.

The yields in our column B scenario probably approximate current trade expectations about the yield potential. Columns A and C show the potential supply-demand balance and prices with moderately lower and modestly higher yields. With the corn crop now in the tasseling/silking stage, weather in the next two weeks will be quite important. Hot, dry weather with temperatures in the mid- to upper 90s could significantly reduce the corn yield potential from that shown in Column B. Soybean yield potential will be limited somewhat by late plantings in the western Corn Belt. However, August rainfall and temperatures will be major influences on yields. Soybeans have grown rapidly in the last few weeks. In much of Iowa, tile lines are still running, indicating that subsoils are nearly saturated with moisture. That provides some reserve to help carry crops through summer dry spells, and will be important to final yields, as will temperatures.

Price Implications

Weather across the Corn Belt from Nebraska to Ohio, and from Minnesota to Kentucky and Missouri will be the most important influence on crop prices for the year ahead. A secondary, but still very important influence on prices will be China. The Chinese corn, wheat, and soybean crops suffered from serious drought last year, but extremely large carryover stocks allowed them to maintain normal corn exports most of this marketing year. Chinese stocks still are believed to be large, but not as burdensome as last year. The North China Plains was extremely dry this spring, but began getting rain in late June and in this month, so far. Extended forecasts show normal to above normal rain for much of the area through the summer. The forecasts, if they materialize, would offer some hope for decent Chinese grain yields, limiting their corn import needs and allowing some exports. USDA data indicate China's extreme northeastern three provinces produce about 40 percent of the nation's soybean crop and about one-third of its corn. Assuming China has normal weather through October, potential U.S. harvest-time and season average prices are shown in the lower part of column B in the corn balance sheet, with average U.S. weather the rest of the growing season. Chinese weather in the recent past, extended forecasts, and vegetative condition comparisons with last year from satellite photos can be found at the following website: <http://www.econ.iastate.edu/faculty/wisner/>. To get Chinese data, click on Global Weather Service World Weather, then click on Agriculture, then on China.

Recent Chinese Purchases

A few days ago, China bought about 6.5 million bushels of new-crop U.S. corn, its first imports since the 1999-00 marketing year. That's a minor amount when compared with normal U.S. exports of 1.8 to 2.0 billion bushels. This development raised questions in traders' minds such as: ***"Is this the beginning of more substantial purchases to come? Is China making a good will gesture as it positions itself for entry into WTO sometime next year? Or is it an indication of worsening crop prospects in China?"*** These are unanswerable questions, and weather will be a major influence on China's export availability and import needs for the year ahead. China, in most years, is the world's third largest corn exporter after the U.S. and Argentina (if you exclude inter-EC exports in the EC). Thus, it is a major potential swing factor in the world corn market. China also has imported small quantities of corn, usually from the U.S., in 29 out of the last 40 years. Its imports usually go into southern China, a region where it is cheaper to buy on the world market than to ship from China's Corn/Soybean Belt in the north. Also, it has been a rapidly growing market for soybeans in the last few years. The size of China's 2001 soybean crop will have a major bearing on its soybean import needs for the year ahead. Its soybean imports have approximately tripled in the last three years. Much of the growth in U.S. soybean exports in the last three years is due to Chinese purchases. A day or two after this corn purchase was announced, China made modest new-crop export sales of corn for fall delivery. Also, China's leading corn-producing province, Jilin hopes to export about 85 to 90 million bushels of corn in the next few months, according to Far East trade reports. China also has been selling feed wheat for late summer and fall delivery, and reportedly is reducing government grain storage payments.

How long will the upward trend in corn and soybean prices continue? That will depend heavily on the 6-to-10 day weather forecasts. ***The first forecasts to show general rains across most of the Midwest have the potential to weaken prices significantly.*** The market is likely to react before the rains arrive. Weekly crop condition reports (located at <http://usda.mannlib.cornell.edu/reports/nass/> -click on Weekly Weather and Crop Reports; then select the appropriate date) also will be watched closely by the grain trade, as indicators of yield potential.

Robert Wisner