

Iowa Farm Outlook

September 2013

Department of Economics
Ames, Iowa

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AAEA Extension Section Annual Outlook Survey 2013

Each year Ron Plain and David Miller* conduct a survey of commodity forecasts. 2013 makes the 36th year this survey has been conducted in conjunction with the Extension outlook session at the annual meeting of the Agricultural and Applied Economics Association. This survey was conducted via mail in July 2013. Mailings were directed toward agricultural economists who are actively engaged in outlook work.

There were 19 individuals who responded to this survey. The majority (14) were university employees. Seven indicated forecasting was a major responsibility. Five said moderate and seven responded that forecasting was a minor responsibility. Respondents were not required to complete the entire form. They were instructed to make estimates in areas where they felt they had professional competence.

The following tables summarize the forecasts for production and prices for beef, pork, milk, corn, and soybeans. Tables indicate the number of responses, the average value of the forecasts, the minimum forecast, the maximum forecast, and the average value for those individuals who indicated they had major responsibility for forecasting in this area, i.e., the “experts.”

Table 1. Forecast Percentage Change in Production from the Previous Year

	Beef		Pork		Milk	
	2013	2014	2013	2014	2013	2014
Number Responding	13	13	12	12	9	9
Average	-1.7	-3.8	0.5	2.6	0.9	1.4
Minimum	-3.0	-5.8	0.2	1.3	0.4	0.3
Maximum	1.2	0.1	0.8	3.8	2.1	2.2
Avg-Experts	-1.8	-4.6	0.5	2.8	1.6	1.8

Table 2. Choice Slaughter Steer Price, 5 Area¹, \$/cwt

	2013			2014				
	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Number Responding	13	13	13	12	12	12	12	13
Average	123.10	127.44	125.29	129.12	130.42	127.82	130.07	129.31
Minimum	118.00	124.40	123.80	126.00	127.00	125.00	124.90	125.90
Maximum	128.00	130.00	127.26	132.00	133.41	131.00	135.00	133.00
Avg-Experts	122.61	127.57	125.18	130.08	131.05	127.77	131.19	130.02

¹ Texas-Oklahoma, Kansas, Colorado, Eastern Nebraska, Iowa-Southern Minnesota

Table 3. Feeder Steer Price, Med Frame #1, 750-800 lb Oklahoma City, \$/cwt

	2013			2014				
	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Number Responding	13	13	13	12	12	12	12	13
Average	143.88	147.92	143.88	150.51	154.42	155.88	155.62	154.09
Minimum	133.50	138.00	137.27	137.40	140.85	139.00	138.50	138.94
Maximum	156.56	160.29	160.00	161.20	166.00	169.00	168.00	164.40
Avg-Experts	144.49	149.20	144.68	152.31	157.63	160.44	159.23	157.72

Table 4. Barrow and Gilt Price, Live Basis, \$/cwt

	2013			2014				
	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Number Responding	11	11	11	11	11	11	11	11
Average	65.15	60.37	62.20	60.95	63.92	63.15	59.20	61.90
Minimum	58.50	58.12	60.00	56.00	59.50	58.30	54.00	58.99
Maximum	70.40	63.00	64.00	65.00	66.00	66.00	64.00	65.25
Avg-Experts	67.28	60.37	62.86	60.41	64.09	63.18	58.31	61.57

Table 5. Milk Price, All Milk, \$/cwt

	2013			2014				
	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Number Responding	9	9	9	9	9	9	9	9
Average	19.55	19.31	19.52	18.49	18.30	18.51	18.53	18.46
Minimum	19.10	18.00	19.16	16.85	16.50	17.00	17.00	16.83
Maximum	20.20	20.00	19.74	19.28	19.50	19.75	19.75	19.50
Avg-Experts	19.68	18.75	19.41	18.43	18.03	18.65	18.20	18.34

Table 6. Nearby Futures Contracts, Settlement Prices

	CME Corn on			CME Soybeans on		
	12/2/2013	3/3/2014	6/30/2014	12/2/2013	3/3/2014	6/30/2014
Number Responding	10	10	10	9	9	9
Average	\$4.95	\$5.13	\$5.25	\$12.09	\$12.39	\$12.31
Minimum	\$4.60	\$4.70	\$4.50	\$10.02	\$10.25	\$10.75
Maximum	\$5.80	\$6.20	\$5.75	\$13.70	\$14.30	\$13.20

* Professor, Department of Agricultural Economics, University of Missouri, and Agricultural Economist, Iowa Farm Bureau Federation, respectively.

Lee Schulz

Dairy Outlook

Dairy Today has put together a blog titled “Know Your Market.” The most current blog post is by our own dairy expert and farm management specialist, Kristen Schulte. So in lieu of a dairy article here, below is a link to Kristen’s post, [“Wildcards Are Driving the Milk-Price Outlook.”](#)

Crop Potential Keeps Slipping Away

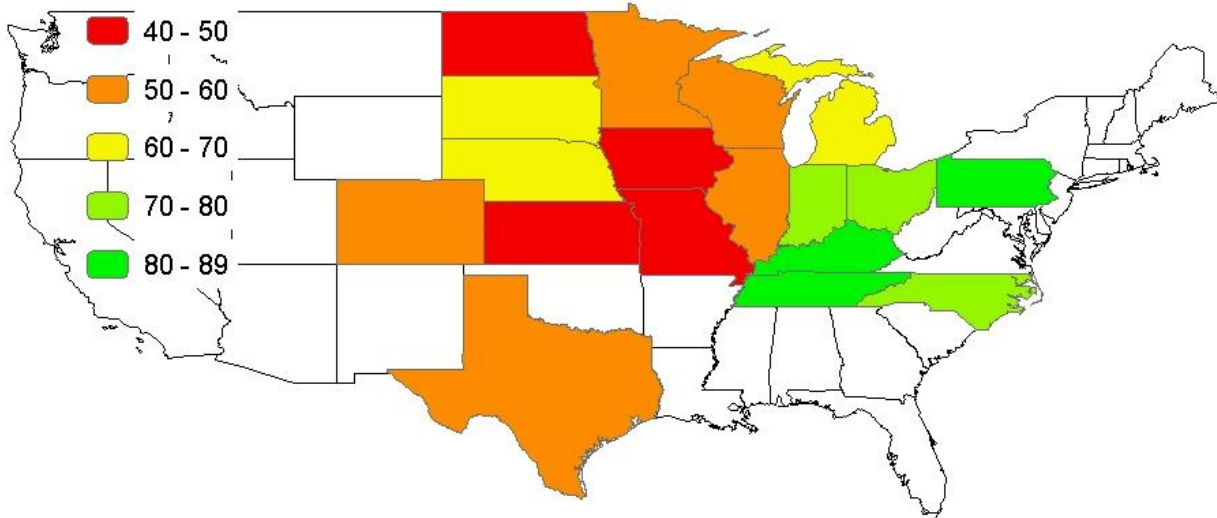
And another strange year continues. Farmers throughout the state have faced a wide variety of extreme weather this year. Too much rain, too little rain, too cold, too hot, we’ve seen it all. Things usually have a way of balancing out, but that will not likely occur in time for this year’s crops. If you look at statewide weather data since April 1, most reporting stations have had ample rainfall. In fact, only 8 of the 49 reporting stations in Iowa are below normal precipitation over the April 1-Aug. 25 time period. But all of that rain came early and crops and soils are drying out quickly.

For crops that are immature due to late planting, we are already seeing significant firing in the corn crop. Crop ratings continue to shift downward in the western and central Corn Belt. And as the dry, hot conditions continue, that crop shift extends eastward.

The markets started reacting to the dry conditions in early August, but the biggest rally occurred in the last Monday of the month. The weather rally has definitely favored soybeans, as beans are seen as more susceptible to continued adverse weather. Utilizing futures to project new crop cash season-average prices, the soybean market is now offering the best prices for the 2013 crop since February. The recent rallies have returned all of

the weather premium that had disappeared from the market through June and July. The corn rally has not been as large, but it has moved the market back up past a key level. In early August, prices had fallen low enough that the futures-based season-average price estimate was below our ISU extension production cost estimate for corn. With the rally, prices now set just above production costs.

Figure 1. Crop Ratings at the Beginning of August.
 % of Corn Rated Good to Excellent



% of Soybeans Rated Good to Excellent

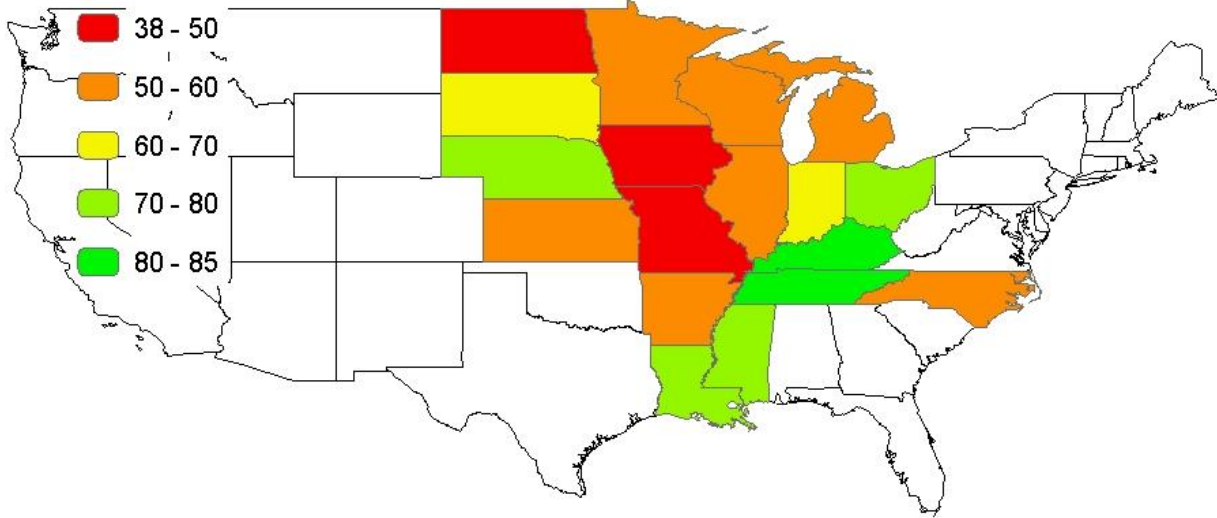
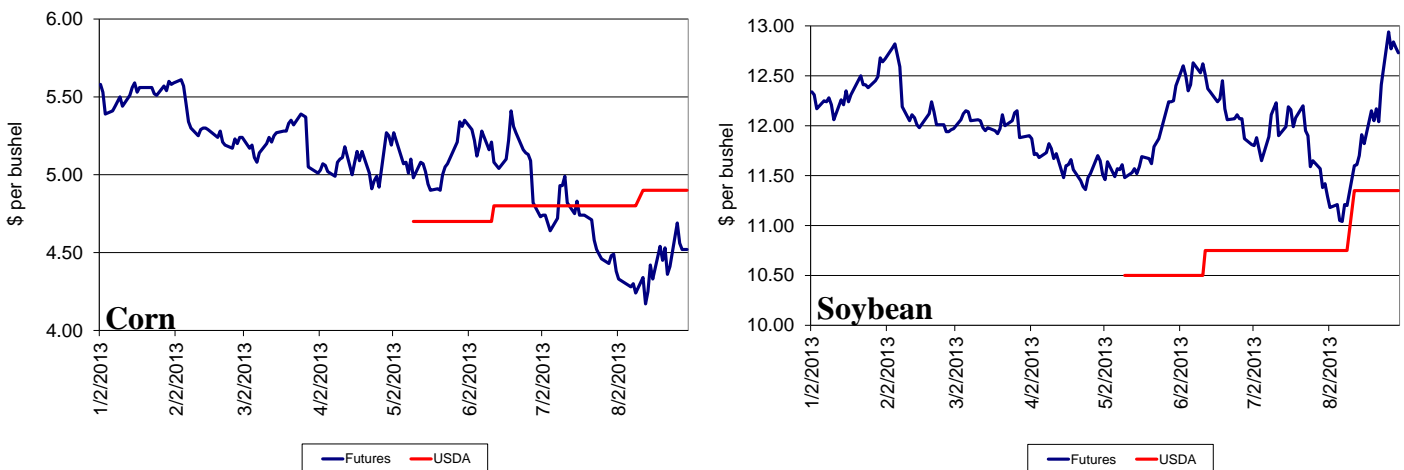
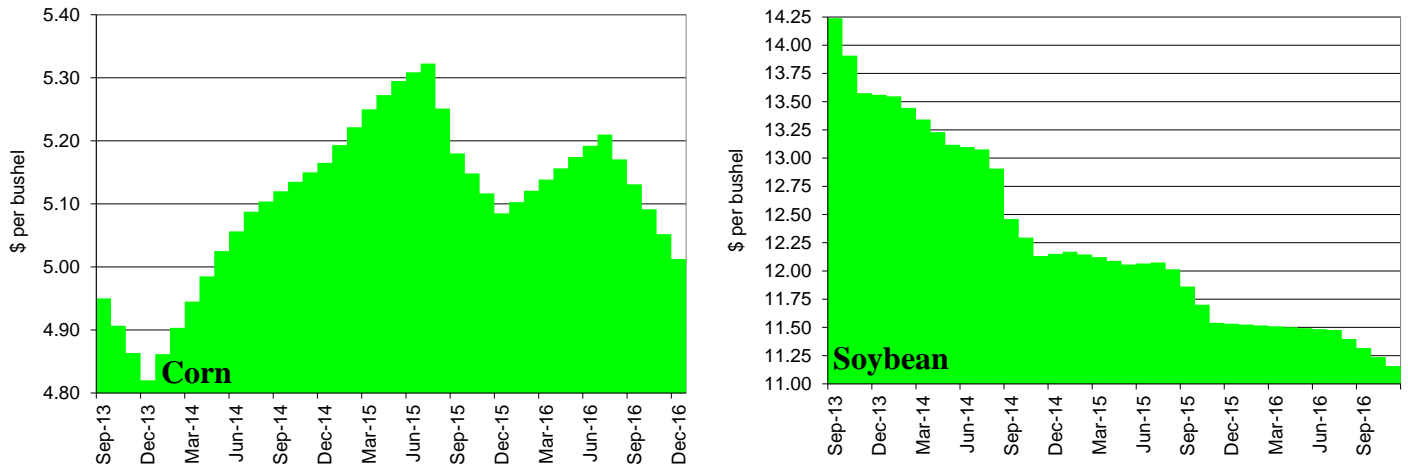


Figure 2. Projected Season-average Prices.



Looking at the futures spreads, the corn and soybean markets are providing two different signals. For the corn market, the futures for the 2013 crop have returned to a fairly normal pattern, providing some returns for storage for corn held into the spring and early summer. But beyond that, for the 2014 crop, the market is still providing a glimpse of higher prices as corn demand is projected to continue its recovery.

Figure 3. August 30, 2013 Futures Prices.



For the soybean market, inversion is still the name of the game. The best prices for the crop are nearby. And prices continue to fall the farther out you look. Much of this decline is driven by the expectations of ever rising South American soybean crops, the entrance of the Black Sea region into soybean production, and concerns about the ability of China to maintain its phenomenal import trend. The difference between the crops is very evident as we look the harvest 2013 to harvest 2016 spread. The corn market is currently showing a 20 cent increase for harvest prices in 2016. The soybean market is showing a \$2.40 decline.

For the short term, uncertainty remains the main driver of the market. The uncertainty around crop yields leads to more variability in crop prices and returns. That uncertainty has provided a nice margin for soybeans and is keeping corn prices around production costs, even though the corn crop may set another record for production. Despite the struggles this year, 2013 is still penciling out as a decent crop return year.

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