

# Iowa Farm Outlook

Department of Economics  
Ames, Iowa

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## Regional Hay-Pasture Situation and Outlook

The 2014 calendar year provided favorable growing conditions for forage production across much of the U.S. This has contributed to a general story in the forage complex towards normal stock levels, production, and prices.

Hay stock numbers are released in terms of all hay, even though different states produce varying levels of alfalfa and other hay. USDA's National Agricultural Statistics Service conducts two hay stock surveys each year, the most recent was May 1, 2015. Total U.S. stocks for all hay were up 28% compared to 2014 (table 1). This is the largest May 1 stocks have been since 2005. Most major cattle producing regions in the U.S. recorded a year-over-year increase in May 1 stocks. Compared to 2014, the Western region is up 87% (even with the California drought), Great Plains up 29%, Southern Plains up 53%, and the Cornbelt region up 29%. The Northeast and Southeast both experienced a decrease in May 1 hay stocks compared to year ago numbers by 18% and 5%, respectively. May 1 hay stock numbers support hay availability for cattle producers should they need to rely on it.

**Table 1. Regional All Hay Stocks, May 1, 2015**

|                 | All Hay Stocks<br>(1,000 tons) | Percent of National<br>All Hay Stocks | Year/Year Percent Change<br>in All Hay Stocks |
|-----------------|--------------------------------|---------------------------------------|---|
| Great Plains    | 8,580                          | 35%                                   | 29%   |
| Southern Plains | 3,740                          | 15%                                   | 53%   |
| Cornbelt        | 5,340                          | 22%                                   | 29%   |
| Iowa            | 700                            | 3%                                    | 71%   |
| Northeast       | 670                            | 3%                                    | -18%  |
| Southeast       | 3,512                          | 14%                                   | -5%   |
| West            | 2,675                          | 11%                                   | 87%   |
| U.S.            | 24,517                         |                                       | 28%   |

Data source: USDA National Agricultural Statistics Service. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), *Northeast* (CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), and *West* (AZ, CA, ID, NV, NM, OR, UT, WA).

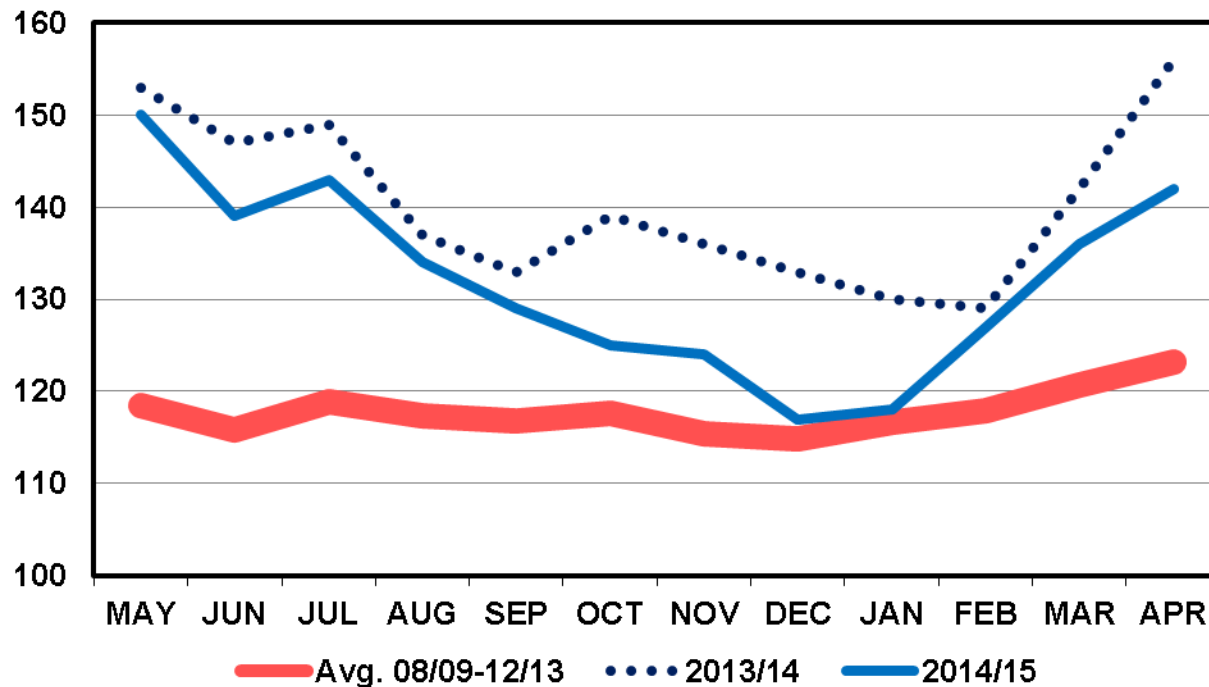
Looking ahead to the 2015/16 crop year, forecasts suggest a slight decrease year-over-year in alfalfa production and a slight production increase in other hay. This is supported by the Prospective Plantings report released by USDA's National Agricultural Statistics Service on March 31, 2015 which estimates 2015/16 all hay acres to be even with 2014/15 levels (table 2).

At the regional level, results from the report show a significant decrease in the Southern Plains and Western regions (which will mostly be alfalfa) hay acres and slight harvested acreage increases in regions that predominantly produce other hay (table 2). Prices are expected to continue trending down towards the historical five year average for both sectors, to the low \$100's per ton for other hay (figure 1) and \$170-\$180 per ton for alfalfa (figure 2).

**Table 2. Regional All Hay Intended Acres to be Harvested in 2015**

|                 | Harvested Acres<br>(1,000 acres) | Percent of National<br>Harvested Acres | Year/Year Percent Change<br>in Harvested Acres |
|-----------------|----------------------------------|--|--|
| Great Plains    | 16,650                           | 29%                                    | 4%   |
| Southern Plains | 8,450                            | 15%                                    | -6%  |
| Cornbelt        | 11,270                           | 20%                                    | 0.2%   |
| Iowa            | 1,150                            | 2%                                     | -0.4%  |
| Northeast       | 3,738                            | 7%                                     | 4%   |
| Southeast       | 10,920                           | 19%                                    | 0.5%   |
| West            | 6,065                            | 11%                                    | -5%  |
| U.S.            | 57,093                           |  | 0.0%   |

Data source: USDA National Agricultural Statistics Service. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), *Northeast* (CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), and *West* (AZ, CA, ID, NV, NM, OR, UT, WA).

**Figure 1. Other Hay Price, Monthly Average Received by Farmers, U.S., Crop Year \$ Per Ton**

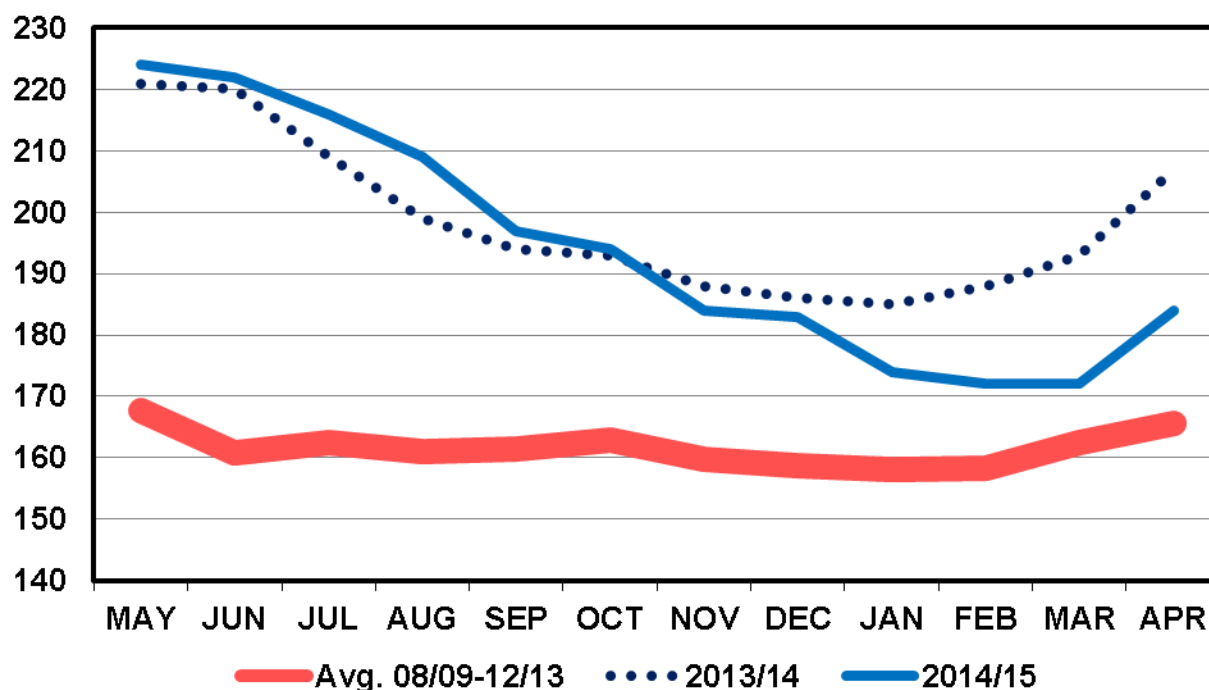
Data Source: USDA National Agricultural Statistics Service, Compiled & Analysis by the Livestock Marketing Information Center

The grazing situation is also much, much less precarious than in recent years. Table 3 shows how current range and pasture conditions compare to the past year and the 2009/13 average as well as the relative predominance of beef cows and retained heifers regionally.

A key point to note is that nationally only 0.75% of beef cows reside in states with at least 40% poor or very poor pasture and range conditions. Noting that last year 15.65% of beef cows were in this situation quickly highlights the scope of improved conditions many cow-calf operators are facing regarding forage and water supplies. In particular, the Cornbelt region has notably better pasture conditions compared to last year and the 2009/13 average.

Collectively, current hay stock levels, hay production forecasts, and pasture and range conditions suggest the Cornbelt region could be among the leaders in national herd expansion. Its relative role as home to beef cows and heifers being retained is growing.

**Figure 2. Alfalfa Hay Price, Monthly Average Received by Farmers, U.S., Crop Year \$ Per Ton**



Data Source: USDA National Agricultural Statistics Service, Compiled & Analysis by the Livestock Marketing Information Center

**Table 3. Regional Pasture Conditions and Beef Cattle Breeding Herd Residence**

|                 | Percent of Range and Pasture in Poor or Very Poor Condition |           |           | Percent of U.S. Cows | Percent of U.S. Retained Heifers |
|-----------------|---|-----------|-----------|----------------------|----------------------------------|
|                 | Avg 2009/13   | 5/25/2014 | 5/25/2015 | Jan 1, 2015          | Jan 1, 2015                      |
| Great Plains    | 17%   | 20%       | 13%       | 29%                  | 34%                              |
| Southern Plains | 31%   | 40%       | 8%        | 20%                  | 19%                              |
| Cornbelt        | 7%  | 9%        | 4%        | 15%                  | 14%                              |
| Iowa            | 8%  | 14%       | 3%        | 3%                   | 3%                               |
| Northeast       | 3%  | 5%        | 9%        | 1%                   | 2%                               |
| Southeast       | 10%   | 7%        | 10%       | 24%                  | 20%                              |
| West            | 27%   | 35%       | 23%       | 10%                  | 11%                              |
| U.S.            | 19%   | 21%       | 10%       |                      |                                  |

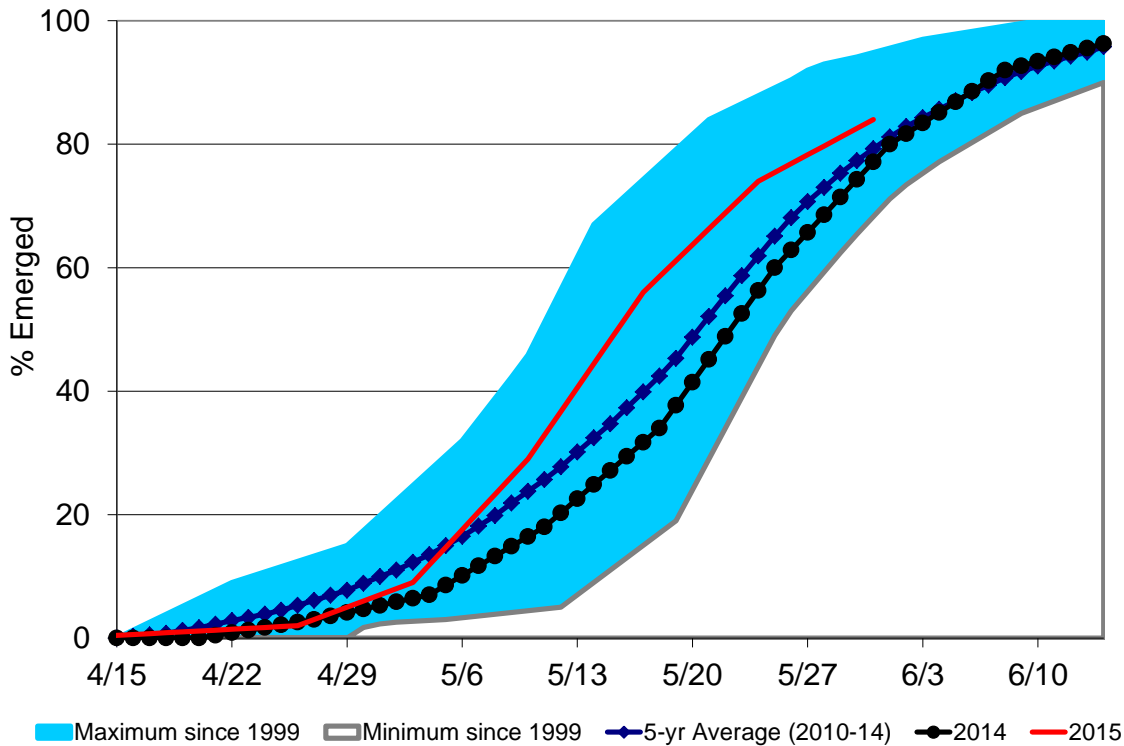
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Lee Schulz

### Searching for a Reason to Rally

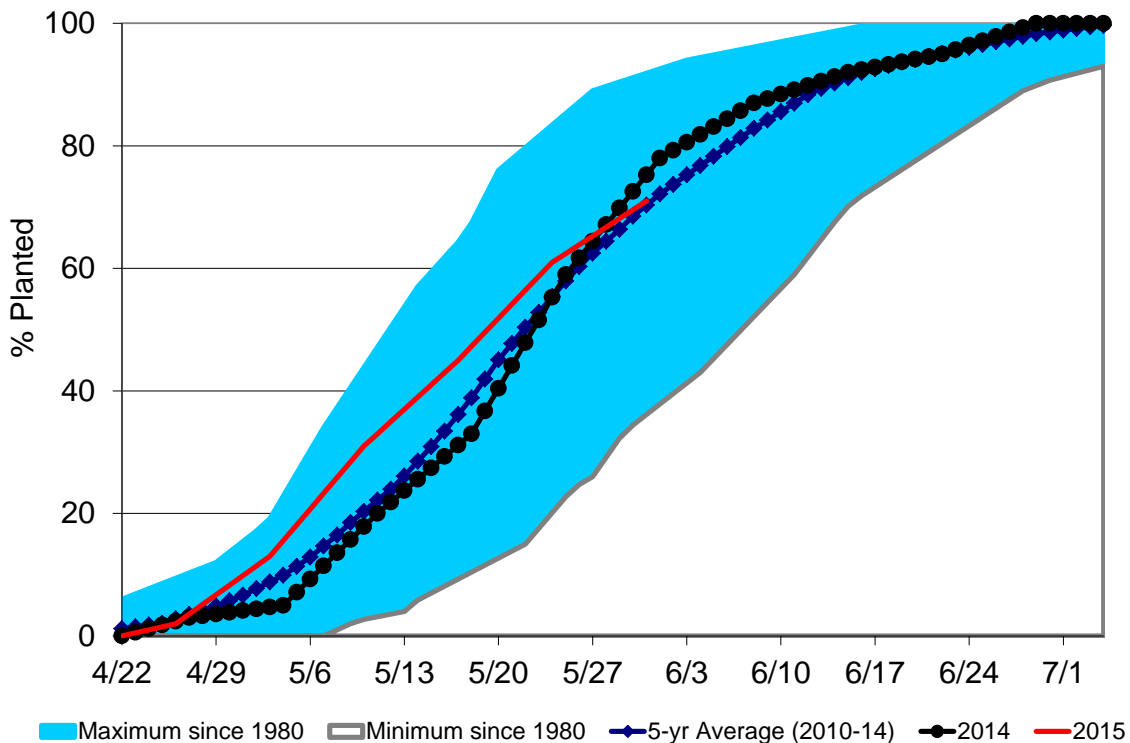
As the calendar page turns to June, the vast majority of the nation’s corn crop has been planted. A steady stream of storms has delayed the last bit to be planted. But in general, the corn crop has gotten off in pretty good shape. The crop has emerged fairly quickly, as shown in Figure 1. The main trouble spots are in the Central and Southern Plains, which have been inundated with abundant moisture for the past few weeks. Nationwide, 74 percent of the corn crop was rated in good to excellent shape at the end of May. That’s roughly on par with last year’s crop.

**Figure 1. Corn emergence (Source: USDA-NASS).**



The race to plant continues with soybeans. Early planting season weather allowed producers to get an early jump on soybean planting, but progress has since fell back to normal. Just over 70 percent of the soybean crop was planted by the end of May. As with corn, the Central and Southern Plains are experiencing delays, but the bigger issue may be the slow progress in Missouri and Arkansas. Arkansas is 9 percent behind normal planting progress. Kansas is 42 percent behind. Missouri is 34 percent behind. And Nebraska is 13 percent behind.

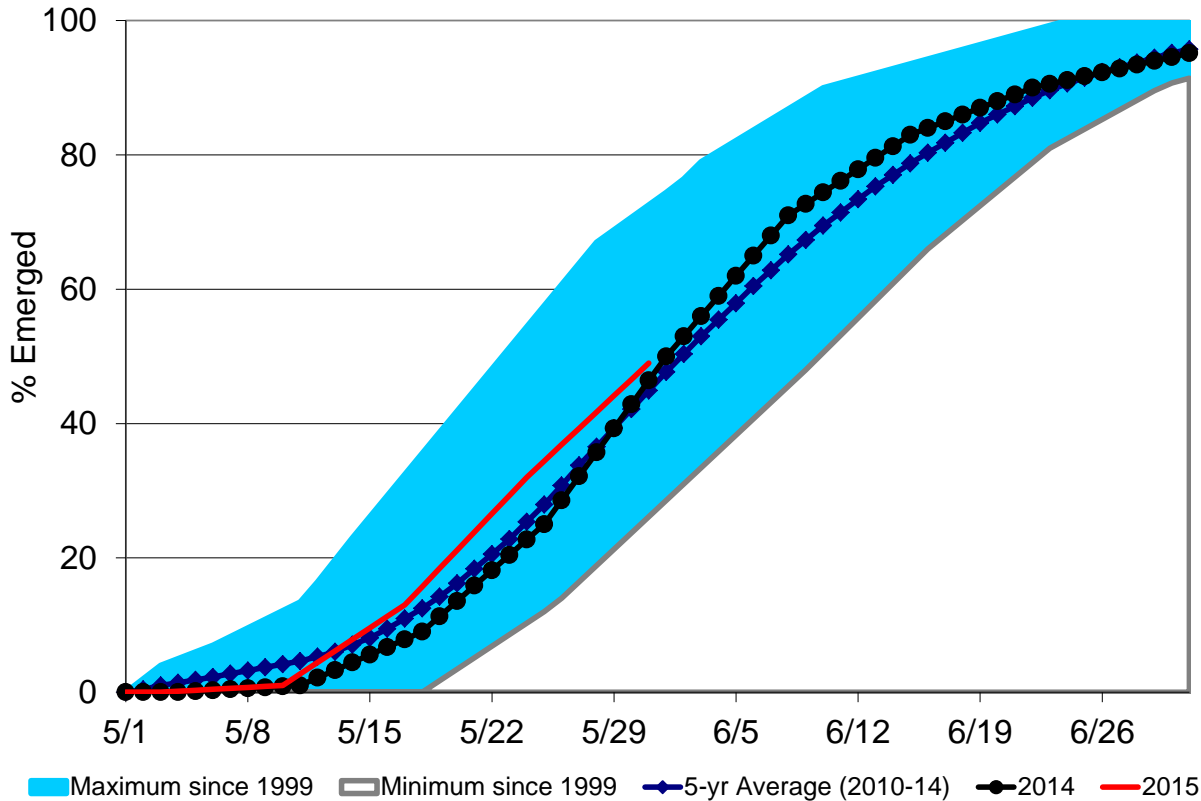
**Figure 2. Soybean planting progress (Source: USDA-NASS).**



It will be interesting to see what USDA finds as they are currently surveying farmers about their plantings. In March, farmers indicated they would plant 89.2 million acres of corn and 84.6 million acres of soybeans. Typically, the March estimates over-predict corn area and under-predict soybean area. The spring storm delays would seem to back that happening again. However, another question may be will the rains slow down enough to allow soybean plantings to get moving again.

The slowdown in soybean plantings also meant a slowdown in soybean emergence. But nationwide, emergence is running just ahead of normal. The weather issues for the corn and soybean crops are dominated by excess moisture. And normally, rain makes grain. But recent action in the markets seems to suggest that we may be at the point where too much rain makes for a smaller grain crop.

**Figure 3. Soybean emergence (Source: USDA-NASS).**

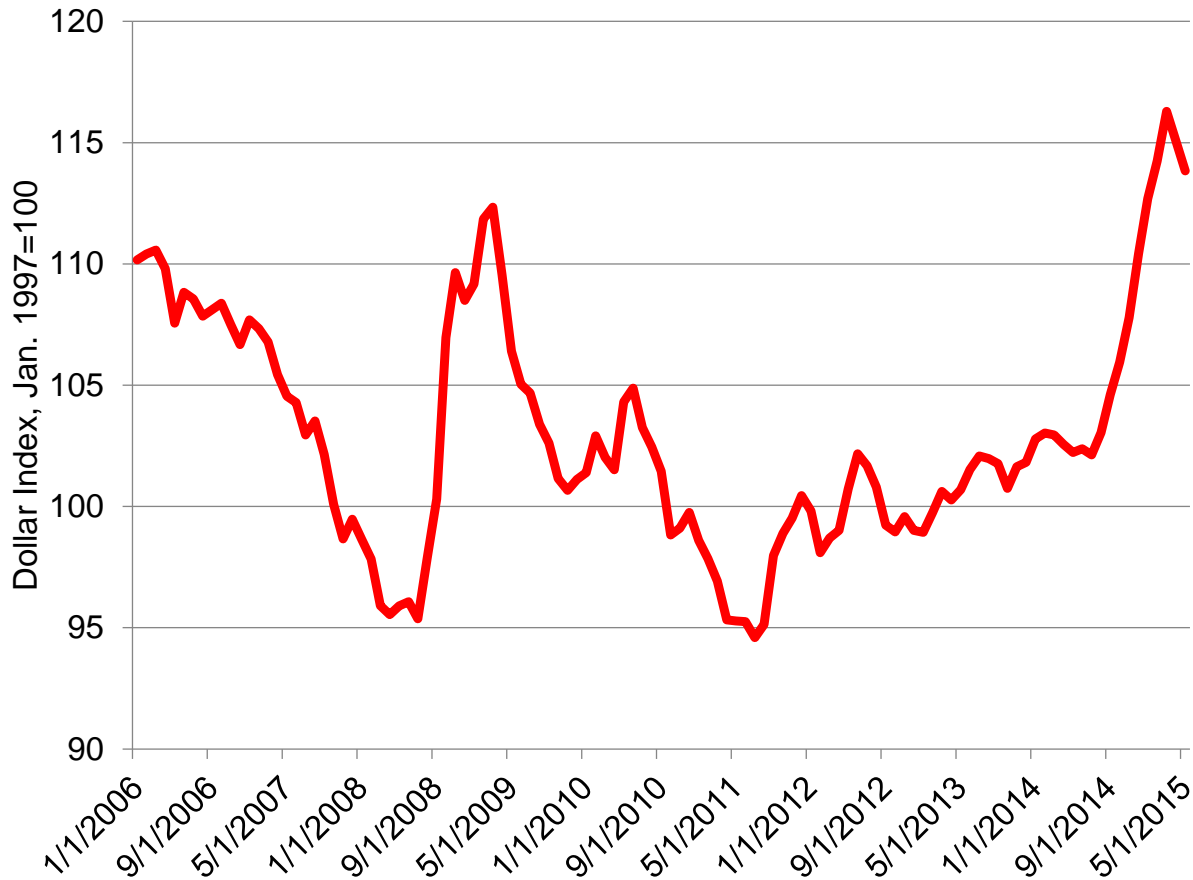


So as is typical this time of year, the markets view the weather as supportive one week, harmful the next. But the support for the markets has not been limited to just mild (unless you live in a water-logged region) supply issues, the outside markets have also, in general, moved to more favorable conditions. Crude oil prices have rallied \$10-12 per barrel over the past couple of months. That has provided some assistance for the ethanol industry. And while the announcement of the 2014/15 figures for the Renewable Fuels Standard were not what the industry had hoped for, ethanol production has been on the upswing during the past four weeks, reaching the highest levels we have seen since January. In fact, ethanol's demand for corn has rarely been stronger than it is now.

And the export picture is looking a little better as well. The dollar has begun to retreat and that is allowing for more competitive pricing of our crops in the international marketplace. Figure 4 shows the dollar index tracked by the Federal Reserve Board. And since peaking in March, the dollar has slid the last two months.

In the feed market, the avian influenza outbreak is a major news story, but a smaller market mover. The relative growth in the beef and pork sectors are more than offsetting the feed losses from the outbreak. So the combined demand picture for corn and soybeans remains robust. If supplies are cut by the weather issues, then the market is prepared to respond.

**Figure 4. Dollar index.**



And the markets are searching and responding to bullish news when they can. We ended May with futures prices holding at or below the levels needed to reach USDA's projected prices. USDA currently has 2015 corn at \$3.50 per bushel. Futures prices at the end of May pointed to the same price level. For soybeans, USDA has \$9.00 per bushel. Futures at the end of May computed to \$8.70 per bushel. However, since then, both futures markets have added roughly 10 cents per bushel on the weather concerns and outside influences. So we start June with a little rally to try to move some old crop out of the bins and prepare for the new crop that's just emerged. And as the old saying goes, if you don't like the weather in Iowa right now, just wait, it will change and so will the markets.

*Chad Hart*

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Dr. Chad Hart  
Associate Professor of Economics  
Extension Crop Marketing Specialist  
478F Heady Hall  
Phone: (515) 294-9911  
Fax: (515) 294-0221  
[chart@iastate.edu](mailto:chart@iastate.edu)  
[www2.econ.iastate.edu/faculty/hart/](http://www2.econ.iastate.edu/faculty/hart/)

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Dr. Lee Schulz  
Assistant Professor of Economics  
Extension Livestock Economist  
478 Heady Hall  
Phone: (515) 294-3356  
Fax: (515) 294-0221  
[lschulz@iastate.edu](mailto:lschulz@iastate.edu)  
[www.econ.iastate.edu/people/faculty/schulz-lee](http://www.econ.iastate.edu/people/faculty/schulz-lee)

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