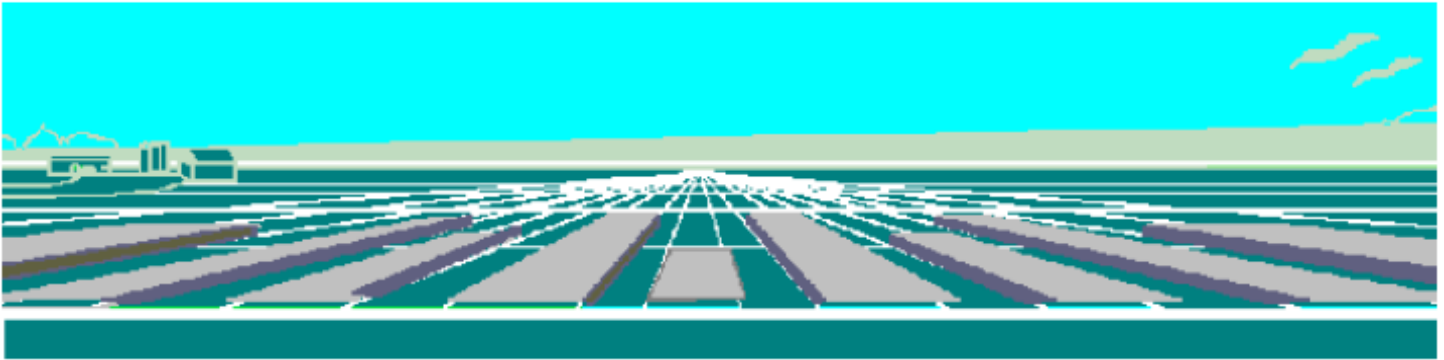


Iowa Farm Outlook



April 1, 2007

Ames, Iowa

Econ. Info. 1955

March 2007 USDA Hog and Pig Report

The national swine herd continues to grow despite the recent increases in feed costs. As of March 1 the national swine inventory was over 61 million head, up 1.3 percent from a year ago. Breed swine now number just over 6 million head, up a percent. Market hogs inventories are over 55 million head up 1.3 percent from last year. Pig crops in the past two quarters have been up 1.6 percent. Sow farrowing in the next quarter are expected to be steady to slightly lower, and then steady to slightly higher over the summer months. Table 1 is a summary of the Hog and Pig Report released March 30.

Table 1. Summary of USDA March 2007 Hog and Pig Report

	US Million Hd.	% Chg. 2006	Iowa Million Hd.	% Chg. 2006
All Hogs	61.10	1.3%	16.60	1.2%
Breeding Herd	6.08	0.9%	1.08	-1.8%
Market Hogs	55.02	1.3%	15.52	1.4%
Under 60	20.27	1.4%	4.69	0.2%
60-119	13.09	0.6%	4.09	-1.2%
120-179	11.42	-0.1%	3.57	1.4%
180 & Over	10.25	3.8%	3.17	7.1%
Pig Crop				
Sep-Nov	26.50	1.6%	4.21	2.8%
Dec-Feb	26.08	1.6%	4.01	-2.2%
Sows Farrowing				
Mar-May	2.91	-0.5%	0.47	1.1%
Jun-Aug	2.92	0.2%	0.47	3.3%

Continued expansion in the industry was generally anticipated prior to the USDA report, so market adjustments should be minimal. It would appear that a certain amount of optimism remains in the industry. Breeding swine numbers are usually the first to level off and decrease when the industry is entering a down turn in the hog cycle, so optimism is evident as the national swine breeding herd was slightly higher. However, the breeding herd in Iowa has been on the decrease according to reports in the past several quarters. Iowa's swine breeding herd is down 1.8 percent from last year. Although the industry is capable of significant inventory change from year to year, Iowa producers are showing caution by reducing the state's sow numbers. As for market hog inventories, the number of hogs on feed in Iowa is up 1.4 percent from last year. Iowa continues to be the

destination for feeder pigs from other states and Canada. Canadian feeder pig imports are up 9 percent so far this year. Despite the higher cost of corn and feed the US and Iowa continue to have a production cost advantage significant enough to attract pigs for finishing.

So what can we expect for the future? Hog prices so far this year have been generous. Retailers, not wanting to be short handed as they approach the Easter holiday and summer grilling season, paid more for wholesale meats to guarantee their supply. As a result, the consumer should expect to pay more at the meat counter now and in the coming months. On the average, hogs have sold for almost 7 percent more this year than last. This is good news to hog producers as they are faced with feed costs 30 to 40 percent higher than the six year trend. Hog producers should expect prices to be fairly strong this summer following a trend similar to last year. Table 2 contains the ISU production and price forecasts in the next four quarters. Also listed is the futures price, adjusted by the Iowa basis, at the close of trading before the report was released. If a producer is concerned about the risk of hog prices falling, a position on the futures markets can help reduce that risk.

Table 2. Hog Production and Live Hog Price Forecast, March 30, 2007

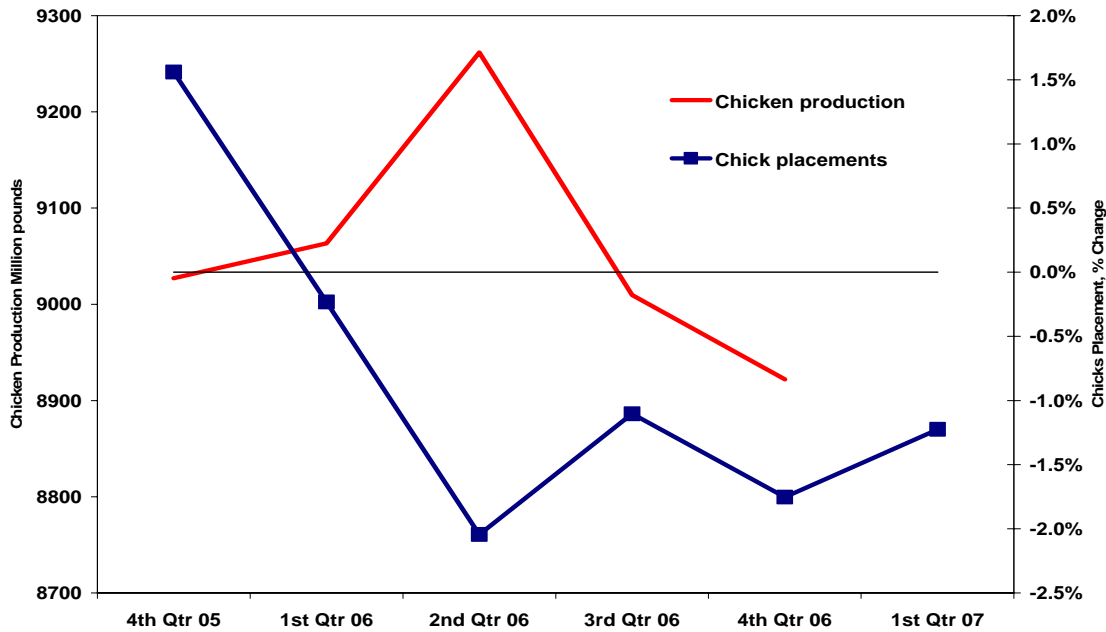
	ISU Forecast		Futures
	Production	Price	3/30/2007
APR-JUN 07	2.0	\$49-52	\$51.84
JUL-SEP 07	2.0	52-55	53.63
OCT-DEC 07	1.5	46-49	48.74
JAN-MAR 08	1.5	46-49	47.18

As an additional note, the USDA also released their spring estimates on crop planting for the coming season. Acres planted to corn are forecast to be 15 percent more than last year. Although weather can change planting intentions and the outcome of the harvest, this news should give livestock feeders some hope of steady or lower corn prices.

Demand and Competition factors

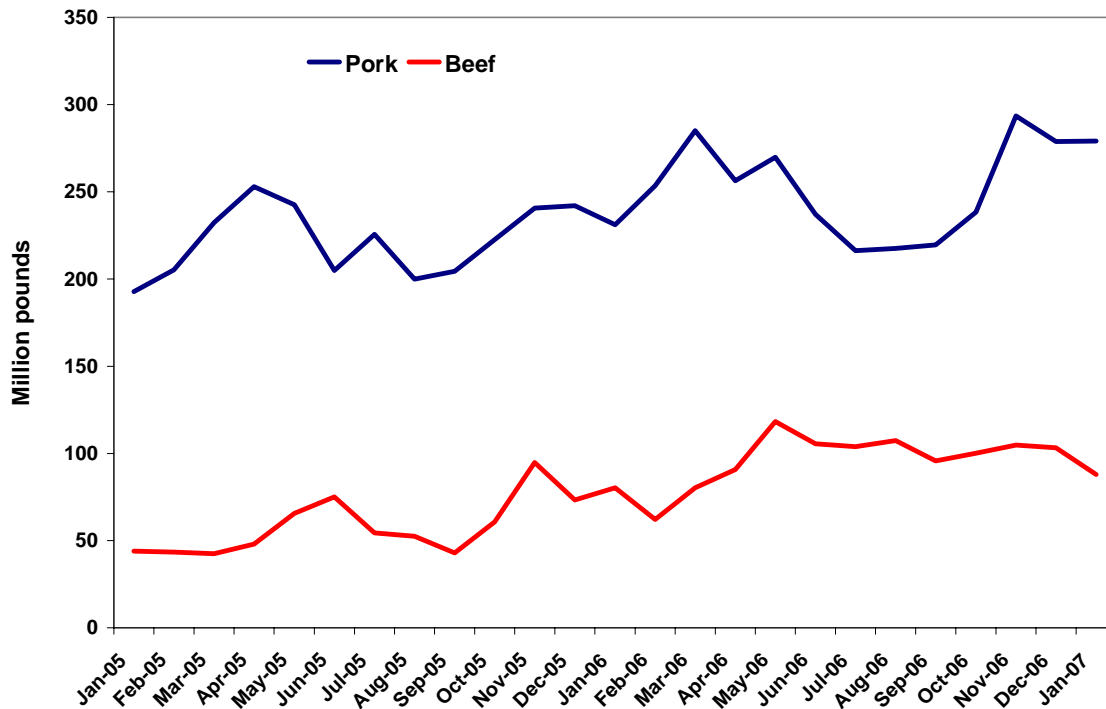
Domestic demand is actually showing some signs of strengthening as of recent. Per capita consumption has been steady to slightly higher despite the recent increase in hog and pork prices. Consumer preference for pork is not the only factor in play. The price of both beef and poultry has been on the rise, giving support to the pork market. Poultry supplies have decreased recently as chicken producers opted to scale back production in the wake of increased feed costs. Figure 1 is a graph of the quarterly change in chick placements from the year previously and quarterly chicken production.

Figure 1. Chicken Production and Chick Placements



At no surprise US pork exports set another record high in 2006, up 12.4 percent from the year before. The largest foreign market, Japan, actually imported 3 percent less pork in 2006 than in 2005. Despite this reduction, they will remain our largest customer for some time to come. Most of the growth in foreign pork markets is coming from our North American neighbors, while exports to Russia and South Korea have increase 122 and 54 percent respectively.

Figure 2. Monthly Pork and Beef Exports



Reactions to the March Planting Intentions Report

The March 30 USDA Prospective Plantings report put potential 2007 U.S. corn plantings at 90.5 million acres, the largest since 1944, when 95.5 million acres were planted. ***Intended plantings are 12.2 million acres or 15.6% more than were planted last year.*** The record U.S. corn planted acreage was in 1932, when 113 million acres were planted. Soybeans at that time were not a significant U.S. crop. Intended 2007 plantings were well above the top end of the range of grain trade expectations. Intended soybean plantings, in contrast, were well below trade expectations at 67.1 million acres, down 8.3 million acres or 11% from last year. Last year's U.S. soybean planted acreage was the largest on record.

The much larger than expected prospective corn plantings will make spring and summer corn prices a little less sensitive to weather than previously indicated. Corn prices in the next several weeks will take direction from (1) planting progress, (2) soybean prices and harvesting delays in South America, and (3) grain traders' assessments of 2007 U.S. yield prospects. In the last three years, approximately a third of the U.S. corn crop was planted by the third full week of April. ***If this year's corn planting progress lags significantly behind the average of the last few years, the recent strength in soybean prices may cause some intended corn acres to shift back into beans.*** However, the shift may be tempered by very high insured dollars per acre for corn under this year's crop revenue insurances. See the tables on planting progress by state for the last three years and the recent U.S. rainfall map at the end of this report.

In assessing 2007 corn yield potential, it should be noted that agronomic research shows yield lags of 9 to 12 percent for corn following corn vs. corn after soybeans. Also, about 37% of the intended increase in corn acres is in cotton and rice areas of the South and in the Northern Plains. Normal yields in these areas are sharply below those of the Corn Belt. For example, the three-year average corn yield for North Dakota is 115 bushels per acre. For South Dakota, it is 115.3 bushels per acre. The average corn yield of cotton-rice areas in the mid-South is 129 bushels per acre. In North Carolina, it is 123 bushels per acre and in Georgia it is 123.7 bushels per acre.

Soybean prices should be supported by the indicated sharp decline in plantings as well as recent heavy rains in South America that will delay harvest in Argentina and parts of neighboring countries by two to three weeks. Wet fields in the region also will increase the chance for field losses, sprouting, mold, and other types of quality deterioration. With an expected 9.5 weeks' supply in U.S. carryover stocks on August 31 of this year, normal U.S. soybean yields could adequately supply domestic and export needs for the year ahead. But a few bushels drop in the U.S. average yield could quickly tighten supplies. Even with normal yields, the decrease in soybean acreage suggests carryover stocks are likely to be quite tight in 2008-09. That prospect will be a strong supporting influence on soybean prices. The table below shows where most of the increased corn acres are expected to originate from this year. A year from now, even more corn acreage is almost certain to be needed. Reduced plantings of cotton will be somewhat supportive to its prices, making it more difficult for corn to attract additional acres in 2008.

Sources of increased corn, mil. acres:			
Shifts from:			
Cotton & Rice:	3.15	(3-Yr.Avg. corn yld. 129 bu./A.)	
Spring wheat & flax	1.21	(3-Yr.Avg. corn yld. 115 bu./A.)	
Soybeans	8.382		
Total	12.742		

Balance Sheet Projections

Our latest grain supply-demand projections, based on the March 30 Planting Intentions and Grain Stocks reports, are available on our web site: <http://www.econ.iastate.edu/faculty/wisner/> They are shown in the Balance Sheets links, the 13th and 14th items down in the right-hand column.

Prospective changes in corn and soybean plantings by state are shown in Table 1 on the next page. Using the 3-year average corn yields by state, prospective plantings and the historical percent harvested for grain by state, the intended plantings would produce about 12.4 billion bushels of corn. By slightly reducing the amount of corn not harvested for grain, potential production increases to 12.66 billion bushels, up from 10.54 billion bushels last year.

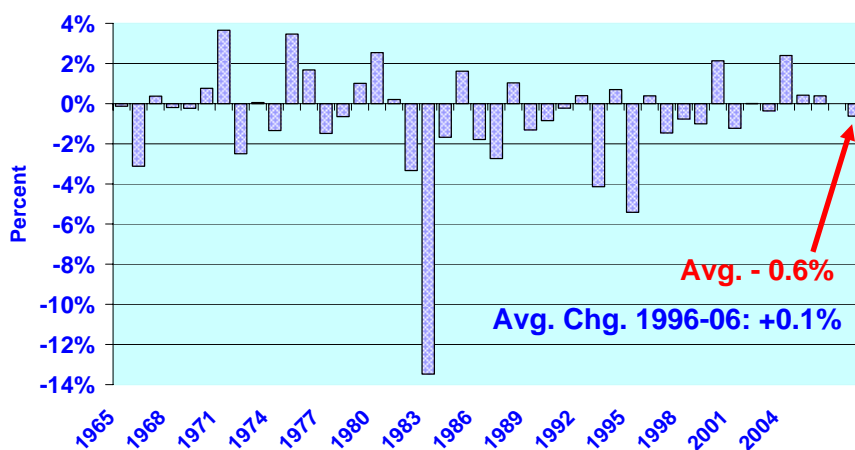
Last year's U.S. corn crop was about 1.4 billion bushels below potential demand (before rationing through higher prices). With a crop of 12.4 to 12.7 billion bushels, current demand indicators show a slight to modest increase in U.S. corn carryover stocks in the summer of 2008. *However, our projections show stocks under these conditions remaining at a relatively low 3.1 to 3.7 weeks' supply at the end of August.* Normal working stock needs are about 3.7 to 3.9 weeks' supply to maintain processing, feeding, and exports until new-crop corn is readily available.

A sharp reduction in soybean carryover stocks from current high levels is indicated if weather allows a normal U.S. yield for 2007. Under those conditions, adequate but gradually tightening soybean supplies are indicated for 2007-08, with supplies becoming quite tight in 2008-09.

Historical Accuracy of Planting Intentions

Figures 1 and 2 show historical changes in corn acreage from the March planting intentions

Figure 1. Percent Change in U.S. Corn Plantings from Intentions Survey to Next January, 1965-2006



survey to the season-final crop estimate in December or January. On average over the longer term, farmers have planted slightly less corn and more soybeans than indicated in the intentions survey. However, since the start of "Freedom to Farm" programs, the average change from the March intentions to the season final has been a 0.1% increase in corn acreage.

Several years of large decreases in acreage from the intentions survey to the season final acreage occurred in the 1980s and early 1990s. These changes resulted from a combination of weather and government programs. The whole-farm PIK program caused large decreases in the early 1980s, as did the 0/92 program in 1993 and 1995. These programs allowed farmers to reduce plantings while maintaining government payments. With favorable early planting conditions in 2000 and 2004, farmers increased corn plantings 2.1 and 2.4 percent respectively from the March intentions.

As indicated in Figure 2, farmers on average have tended to plant very slightly more soybeans than indicated in the March planting intentions report. However, for practical purposes, the average increase in the 1996-2006 "Freedom to Farm" years was zero. In two years during this period, 1996 and 1997, U.S. soybean acreage increased almost 3% from the March intentions to the season final estimate. In 2001, actual plantings were about 3.3% below the intentions. In 2005 and 2006, acreage increased approximately 2% from the intentions to the season final estimate.

Planting Progress-Recent Years

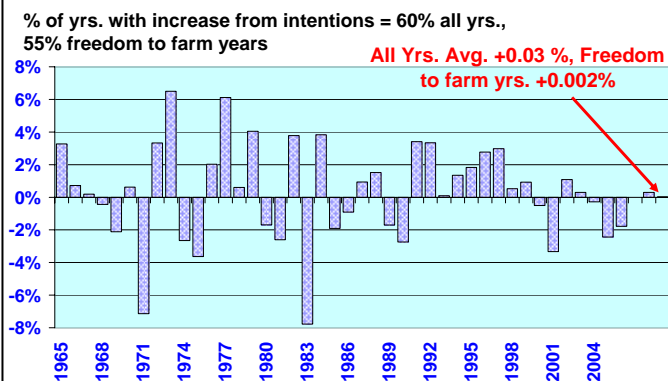
The tables below show U.S. corn planting progress by state for the third week of April for the last three years. Early plantings were an important contributor to high U.S. corn yields. Recent rains and wet soils in many parts of the Midwest make it questionable whether the early-planting pattern can be repeated again this year.

Corn: Percent Planted, Selected States 1/				

: Week Ending :				
:-----: 2001-				
State:	Apr 23,	Apr 16,	Apr 23,	2005
:	2006	2006	2005	Avg.

: Percent				
:				
CO	: 14	3	14	8
IL	: 33	8	60	39
IN	: 9	3	33	20
IA	: 26	3	15	16
KS	: 50	23	38	35
KY	: 70	29	54	52
MI	: 8	0	23	8
MN	: 12	0	3	9
MO	: 75	50	60	54
NE	: 16	3	8	11
NC	: 83	61	62	61
ND	: 2	0	9	7
OH	: 9	2	48	17
PA	: 15	4	14	7
SD	: 3	0	6	4
TN	: 79	57	58	70
TX	: 72	68	71	66
WI	: 5	0	7	3
:				
18 Sts:	25	9	28	22

Figure 2. Percent Change in U.S. Soybean Plantings From Intentions to Next January Est.



Argentine-Uruguay Update

I returned late last week from a market study trip to Argentina and Uruguay. Discussions with grain and livestock personnel there indicated both countries are being affected by high grain prices that have resulted from aggressive expansion of biofuels production in the U.S., Canada, Europe, China, Thailand, Malaysia, and other areas. Grain trade sources there anticipated that Argentina's corn plantings may increase by 10 to 20 percent next fall. The increased acreage is expected to come mainly from wheat and pasture. Argentina has the world's highest per capita consumption of

beef, and its beef industry is expanding production of grain-fed cattle. With the Argentine system, much of the animal growth is from pasture feeding, with a final 90 to 120 days of corn feeding. The Argentine government is very sensitive to the role of beef prices in the Consumer Price Index and its affect on inflation – particularly during this Presidential election year. It has put beef export controls in place and is restricting corn exports through export licensing. Cattle feeders are being subsidized to help offset the higher corn prices. Corn and soybean exports face a large export tax.

Corn export restrictions are expected to be eased after the current crop is harvested. Trade projections indicate corn yields and production will likely set a new record this year, although final production will depend on how soon the currently wet fields dry out. Argentine soybean production also is expected to set a new record, possibly higher than the March USDA projection. Like corn, harvesting has been slowed by recent very heavy rains in a major part of its producing region. The heaviest rains have been in the provinces of Santa Fe and Buenos Aires. Both states are major producers of corn and soybeans. Weather in the area is more variable than in the Midwest, and much of the flooding is in lowland pastures along rivers and streams. However, corn and soybean fields in these areas were very wet and some beans were in several inches of water in parts of fields at the end of March.

Much of the soybean crop in Argentina and Uruguay was at a similar development stage as U.S. soybeans in late August. The majority of fields were still green, with leaves beginning to turn in some areas. Probably 15 to 20 percent of the soybeans were ready to harvest late last week. However, the heavy rains almost certainly will delay harvesting for 2 to 3 weeks in many areas.

Corn: Percent Planted, Selected States 1/				

-				
: Week Ending :				
:-----: 1999-				
State:	Apr 25,	Apr 18,	Apr 25,	2003
: 2004 : 2004 : 2003 : Avg.				

-				
: Percent				
:				
CO	: 10	2	8	9
IL	: 64	40	40	28
IN	: 42	15	21	14
IA	: 36	19	21	16
KS	: 46	31	36	36
KY	: 72	58	53	48
MI	: 15	5	2	3
MN	: 23	6	19	13
MO	: 78	67	54	52
NE	: 22	7	11	14
NC	: 75	51	54	67
ND	: 17	3	13	6
OH	: 30	3	14	8
PA	: 8	3	4	5
SD	: 8	0	6	5
TN	: 82	68	77	70
TX	: 70	63	72	67
WI	: 3	0	6	5
:				
18 Sts:	37	20	24	20

Trade sources expected soybean production to remain at least steady and perhaps increase some in the next few years, despite the higher corn prices. Unlike Brazil, Asian Soybean Rust is not reported to be a serious problem in Argentina or Uruguay. The Argentine Soybean Belt runs from an extreme northern area that is across the Paraguay river from Brazil's state of Parana, to the southern area that is well south of Brazil's southern most state of Rio Grande du Sul. One farmer in the northern area indicated he has sprayed his beans once this season for Asian Rust.

Much of the Argentina Soybean Belt has 40 to 60 days of frost that help to kill off Soybean Rust host plants. In western parts of its Corn-Soybean Belt, rainfall is significantly lower than in Buenos Aires and Santa Fe. Our contacts there indicated parts of the western region have ample under-ground water supplies from aquifers fed by the Andes Mountains. They expect that an extended period of high corn prices will encourage investment in irrigation systems for corn production in that part of Argentina. The potential for increased grain production in

State	Table 1. 2007 USDA Prospective Planting Changes vs. 2006 Planted Acres			
	Corn		Soybeans	
	% chg. Vs. 2006	Mil. A. Chg. vs. 2006	% chg. Vs. 2006	Mil. A. Chg. vs. 2006
AL	50%	100	19%	30
AZ	10%	5	No SB	No SB
AR	195%	370	No SB	No SB
CA	19%	100	No SB	No SB
CO	25%	250	No SB	No SB
CT	4%	1	No SB	No SB
DE	9%	15	-11%	-20
FL	25%	15	129%	9
GA	79%	220	61%	95
ID	11%	30	No SB	No SB
IL	14%	1,600	-14%	-1,400
IN	13%	700	-12%	-700
IA	10%	1,300	-9%	-950
KS	10%	350	-24%	-750
KY	17%	190	-7%	-100
LA	133%	400	-28%	-240
ME	0%	0	No SB	No SB
MD	12%	60	-9%	-40
MA	-6%	-1	No SB	No SB
MI	14%	300	-12%	-250
MN	8%	600	-9%	-650
MS	179%	610	-7%	-120
MO	26%	700	-11%	-550
MT	15%	10	No SB	No SB
NE	11%	900	-13%	-650
NV	50%	2	No SB	No SB
NH	0%	0	No SB	No SB
NJ	13%	10	-9%	-8
NM	8%	10	No SB	No SB
NY	7%	70	5%	10
NC	33%	260	2%	30
ND	54%	910	-21%	-800
OH	16%	500	-5%	-250
OK	11%	30	-13%	-40
OR	8%	4	No SB	No SB
PA	7%	100	-5%	-20
RI	0%	0	No SB	No SB
SC	26%	80	8%	30
SD	9%	400	-9%	-350
TN	42%	230	-8%	-90
TX	14%	240	-56%	-125
UT	2%	1	No SB	No SB
VT	11%	9	No SB	No SB
VA	8%	40	-4%	-20
WA	36%	50	-18%	-3
WV	2%	1	No SB	No SB
WI	10%	350	-15%	-250
WY	6%	5	No SB	No SB
US	15%	12,127	-11%	-8,382

Uruguay is much more limited than in Argentina because of thin and rocky soils in some areas.

Corn: Percent Planted, Selected States 1/				

: Week Ending :				
:-----: 2000-				
State: Apr 24, : Apr 17, : Apr 24, : 2004				
: 2005 : 2005 : 2004 : Avg.				

: Percent				
:				
CO	: 15	5	9	8
IL	: 64	35	61	36
IN	: 36	12	38	19
IA	: 17	6	34	19
KS	: 41	22	44	38
KY	: 60	20	70	52
MI	: 25	9	14	5
MN	: 4	0	21	13
MO	: 62	49	76	60
NE	: 9	5	20	14
NC	: 67	32	72	65
ND	: 11	0	15	7
OH	: 54	9	26	10
PA	: 15	5	7	5
SD	: 7	0	7	5
TN	: 63	31	80	71
TX	: 72	64	69	67
WI	: 8	0	3	4
:				
18 Sts:	30	14	35	22

However, in the best land areas, some conversion of pasture to grain is expected in future years..

The first four pictures below show samples of Argentine soybean fields in late March, in the heart of the Soybean Belt. The last picture shows extreme flooding in a low-lying pasture along a major river in the same region. Flooding of pastures was widespread, and as one picture indicates, parts of some soybean and corn fields also were flooded. Most of the corn was either harvested or nearly ready for harvesting.

Robert Wisner

Argentine Soybeans, late March , 2007



Argentine Soybeans, March 28-29, 2007



Low-land flooding in Argentina, March 29, 2007

