

Iowa Farm Outlook

April, 2010

Department of Economics
Ames, Iowa

Econ. Info. 2000

March Swine Numbers: Sow Numbers Down 4%

The March 2010 Hog and Pig Report released March 26, shows the swine industry in continued reduction, and a rate faster than analysts had expected. US swine inventories totaled 63.99 million head down 2.8 percent from a year ago. Breeding swine now number 5.76 million head, down 3.9 percent from a year ago, and a record low inventory for recent history. Market hog numbers are down 2.7 percent at 58.23 million head, which is still the third largest March inventory bested by only the previous two years. As an illustration of where the industry has gone in the past three decades, there are now 41 percent fewer sows producing 6 percent more market hogs. Table 1 contains the US and Iowa swine inventories from the March report. In Iowa, sow numbers are down 2.9 percent while market hog numbers are down 3.1 percent at 17.9 million head.

Table 1. March Hog and Pig Report Summary

	US		Iowa	
	Million Hd.	% chg.	Million Hd.	% chg.
All Hogs	63.99	-2.8%	18.90	-3.1%
Breeding Herd	5.76	-3.9%	1.01	-2.9%
Market Hogs	58.23	-2.7%	17.89	-3.1%
Under 60	19.02	-4.0%	4.55	-6.0%
60 - 119	15.99	-2.6%	5.47	-1.6%
120 - 179	12.48	-2.0%	4.51	-3.8%
180 & over	10.74	-1.1%	3.36	-0.3%
Sows farrowing				
Mar - May	2.90	-4.0%	0.48	-3.0%
Jun - Aug	2.89	-2.4%	0.48	1.1%
Pig Crop				
Sep - Nov	28.72	-1.8%	4.90	1.1%
Dec - Feb	27.87	-2.4%	4.63	-3.5%
Pigs per litter	9.61	1.4%	9.75	1.6%

Production and Price Forecasts

While the decline in swine inventories was fully expected the amount of decline was not. This should come as good news and will hopefully give additional bullish strength to the market. What is interesting is how 2010 YTD sow slaughter has been lighter, down 4 percent from last year and down 11 percent from 2008 and yet there was still a substantial decline in sow numbers.

Based on pig crop and farrowing intentions, pork production will be down 2-3 percent for the last three quarters of 2010. The general trend is for lean hog weights to continue to increase and that will offset some of the reduction in market hog availability. Table 2 contains the ISU production and price forecast based on the March inventories. For comparison the futures market closing, pre-report prices are also listed. The prospects of tightening hog supplies and growing exports will improve prices and further firm up the prospects of profitability for duration of the year.

Table 2. ISU Pork Production, Live Hog Price Forecast and Futures Price

Quarter	Production	ISU forecast Live price	Futures 3/26/10 Live price w/ IA basis
Apr-Jun 10'	-2.5%	58-61	\$56.46
Jul-Sep 10'	-2.0%	54-56	\$55.15
Oct-Dec 10'	-3.0%	46-49	\$48.12
Jan-Mar 11'	-0.5%	47-50	\$48.81

Other demand factors

In March, two large population markets, mainland China and Russia, both established new pork importation agreements with the US essentially reopening those markets to US pork. While the total impact of these markets reopening will not be world altering, it will create additional demand. In 2008, the last time China was significant customer of US pork it accounted for 6 percent of US exports and consumed 1 percent of the US production that year.

Other Meat Supplies

The hog numbers are not the only livestock supply that will have a bullish impact on the markets. Fed beef supplies will be down 2-3% for the year as feedlot inventories have been down and there are fewer cows for the slaughter market. Poultry supplies will also be down in the next two quarters and likely the rest of the year. Chick placements have been steady to slightly lower in the first quarter. Second and third quarter poultry supplies will likely track very close to last years levels.

Shane Ellis

A Double Helping of USDA Reports

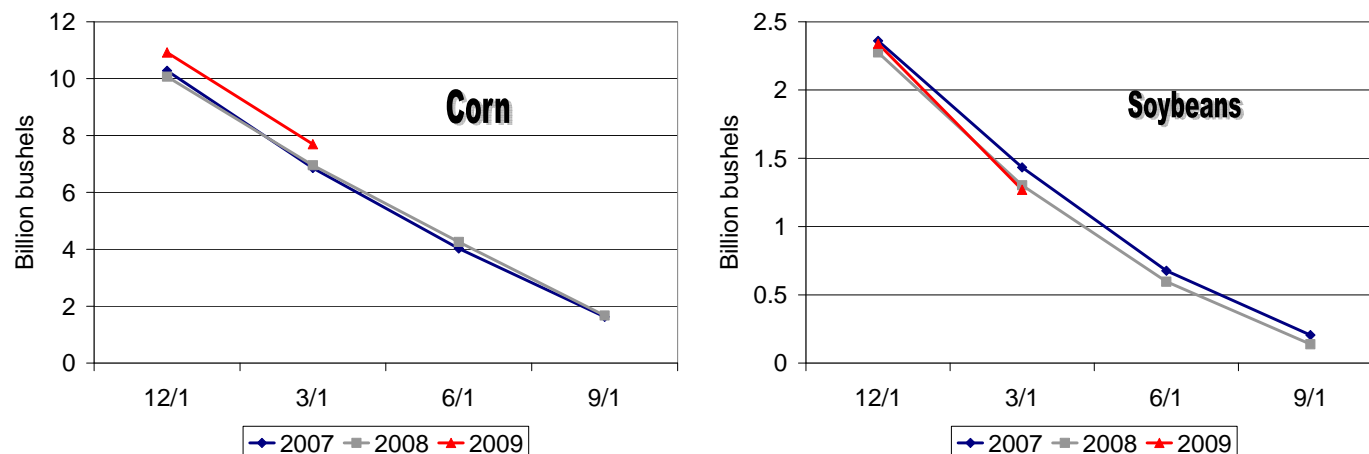
At the end of March, USDA released its Grain Stocks and Prospective Plantings reports. Last year, these reports spurred prices higher in the corn and soybean markets. This year, the early reaction has been negative. Crop stock levels were at or above trade expectations for corn, soybeans, and wheat. Crop acreage estimates also lower than trade expectations for corn and soybeans, with wheat acreage coming in slightly above expectations. While the stock levels were not dramatically out-of-line with expectations, their build-up, along with the general feeling that producers will eventually plant more area than they stated in their intentions (as happened last year), is leading the downward price pressure.

Grain Stocks

Corn stocks on March 1, 2010 are computed at 7.69 billion bushels. This is up 11 percent from last year and above trade expectations. The trade was hoping to see around 7.5 billion bushels. Both on-farm and off-farm stocks are up by double digits. Corn disappearance from Dec. 1, 2009 implies 3.23 billion bushels were used during the quarter, up 3.5 percent from last year. Iowa corn stocks are down slightly from last year, but stocks are up in many Corn Belt states.

National soybean stocks on March 1, 2010 are estimated at 1.27 billion bushels, down 2 percent from last year but above trade expectations. On-farm storage is off 7 percent from last year, but off-farm storage is up 2 percent. Quarterly soybean usage is estimated at 1.07 billion bushels, up 10 percent from last year. Iowa's soybean stocks are down 13 percent from a year ago. But other states, such as Minnesota, Missouri, and Ohio, are carrying more soybeans deeper into the marketing year.

Figure 1. Corn and Soybean Stock Levels for the 2007-2009 Crop Years



Wheat stocks continue to move upward, up 30 percent from a year ago. On-farm wheat stocks are up 24 percent from last year, while off-farm wheat inventories are up 32 percent. Wheat usage for the quarter is up 12 percent, at 429 million bushels. So usage was up, but not nearly enough to offset supplies.

As the stock report shows, the record corn and soybean crops provided a lot of crop to move through the marketing system. And thus far, the demand pace, while better than last year, was behind expectations. For corn, some of this may be due to quality aspects of the crop. One early thought in the first half of the marketing year was that corn feed demand may show an increase in bushels to offset quality losses, you would need more corn to achieve the same weight gain. If the quality is better than expected, then feed demand would be slower than expected. The build-up of wheat stocks could have an impact on feed markets as well. The corn stocks also highlight that export sales have been less than expected. The soybean market is facing higher current inventories, in combination with the projected record crop from South America.

Prospective Planting

The Prospective Plantings report came in around expectations, but with the threat of flooding diminishing in the Corn Belt, expectations are changing. Pre-report trade expectations had put soybean planted area at roughly 78.5 million acres. The USDA report showed 78.1 million. This would still be a record amount of land planted to soybeans in the U.S.. Corn area came in at 88.8 million acres, just 100,000 acres below expectations. And wheat plantings are projected at 53.8 million acres, down significantly from last year, but up slightly from expectations.

By state, soybean area is projected to increase in 16 states, hold steady in 3 states, and decline in 12 states. Kansas and Iowa are projected to increase soybean plantings by least 300,000 acres each. In fact, most of the Corn Belt is projected to hold at 2009 levels or increase. Mainly, it's the Southeast that is reducing soybean area, as cotton is making a comeback. Given the national total of 78.1 million acres, the 20-year average harvest ratio of 98.2 percent, and an USDA current trend yield of 42.9 bushels per acre, this would lead to a projected 2010 soybean crop of 3.29 billion bushels. That would be the 2nd largest soybean crop on record, just behind the 2009 crop.

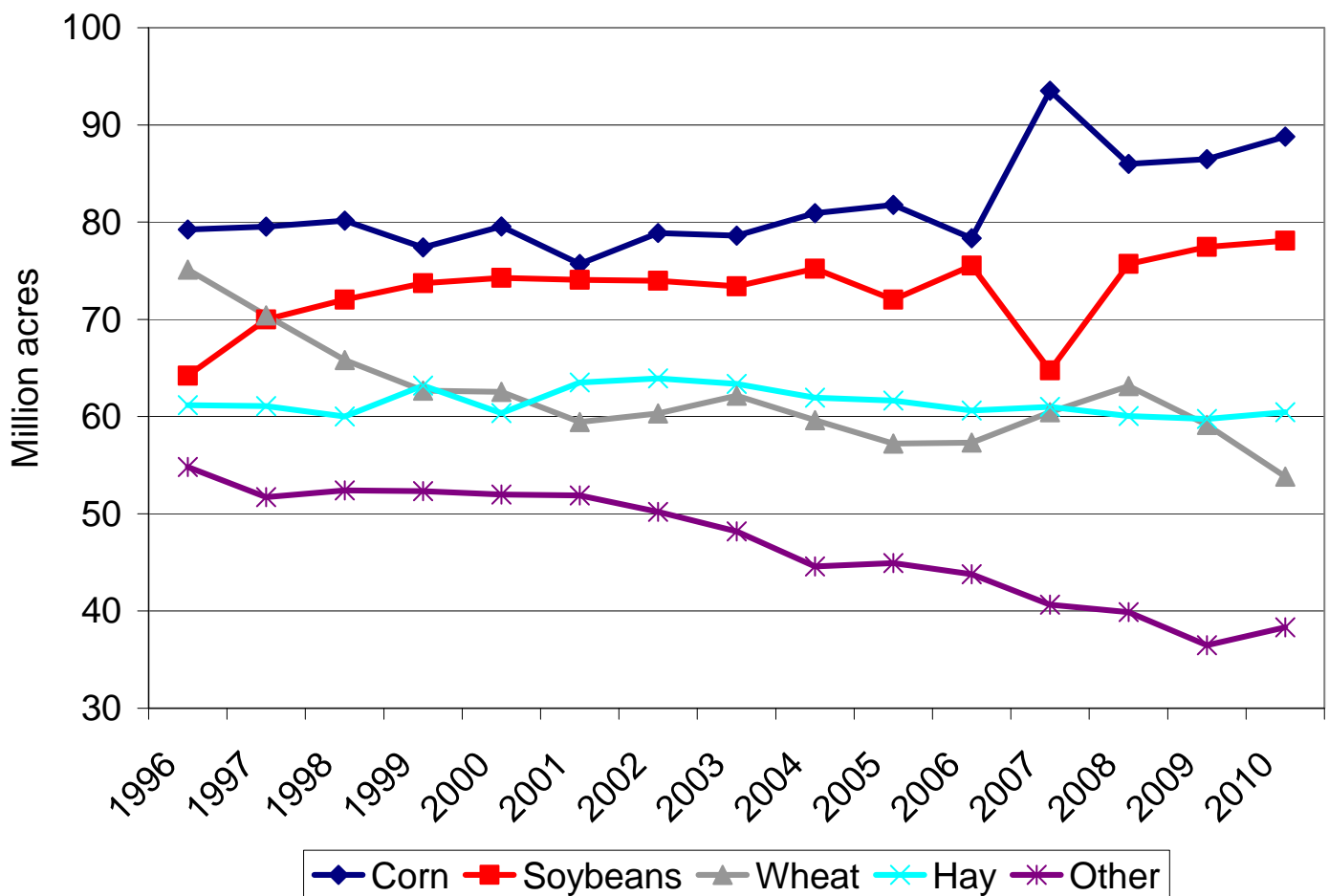
For corn, 28 states are projected to increase plantings, 11 are expected to hold acreage steady, and 9 are projected to decrease corn area. Illinois and Kansas are projected to increase corn area by 600,000 acres each. As with soybeans, most of the Corn Belt is projected to hold at 2009 levels or increase. The exception is Iowa where producers indicated they would plant 200,000 acres less. Besides Iowa, the states reducing corn area are in the south, both from the Southern Plains and the Southeast. Given the national total of 88.8 million acres, the 20-year average harvest ratio of 90.6 percent, and an USDA trend yield of 160.9 bushels per acre, this would lead to a projected 2010 corn crop of 12.945 billion bushels. That would be the 3rd largest corn crop on record, trailing the 2007 and 2009 crop years.

Overall, principal crop area is projected to remain fairly steady at 319.5 million acres. Last year's Prospective Plantings report indicated 317.1 million acres would be used and we ended up at 319.3 million. So just over 2 million more acres were planted than intentions indicated. The market's reaction to the reports shows that many expect something similar this year. The planting surveys were conducted during the first couple of weeks in March, when flooding issues from melting snowpack were a significant concern. That concern has passed and current weather conditions have farmers eager to work in the fields. Most of Iowa saw below average precipitation in March. Subsoil moisture is plentiful. And if the planting window widens for farmers, especially in comparison to the last couple of years, the markets expect more area to head into corn and soybean production, with corn having a relative advantage.

On the feed grain side, while corn area is projected to be up, sorghum, barley, and oat areas are all projected lower. Cotton and rice are expected increase area. And many of the other oilseeds, such as sunflower, canola, and flaxseed, are projected to gain area this year. Wheat is the major crop that lost land to other uses. Winter wheat plantings were off by 5.6 million acres. Overall, wheat lost 5.3 million acres from last year.

The acreage numbers from the Prospective Plantings will serve as the official USDA numbers until the June acreage report.

Figure 1. Corn and Soybean Stock Levels for the 2007-2009 Crop Years



Market Reaction

Last year, these reports brought crop prices higher. This year, the opposite is true. The higher than expected stocks pressured old crop futures, while the higher (than last year's) acreage numbers and the current favorable weather pressured new crop futures. Any sort of weather premium has been minimized in the market for now. Nearby prices were off 9 cents for corn and over 30 cents for soybeans. New crop futures were down 6 to 8

cents for both crops. Looking forward, we could see a weather premium build back in if rainfall increases across the Corn Belt. Remember the soggy planting problems of 2008 and 2009 were brought on by springtime rainfall, not a large snowpack like we had this year. And with subsoil moisture being more than adequate across most of the major corn and soybean lands, it would not take much additional moisture to have an impact on planting. But for right now, the market is dealing with information pointing to supply growth outpacing demand growth. Last year's record U.S. corn and soybean crops, the projected record South American soybean harvest, and the outlook for big crops again in 2010 are weighing down on prices. At the Ag Outlook conference in February, USDA put out unofficial season-average price estimates for 2010, \$3.60 for corn and \$8.80 for soybeans. At the time, futures prices pointed to 2010 season-average prices around \$3.80 for corn and \$8.95 for soybeans. Following the March reports, futures prices are pointing to 2010 season-average prices around \$3.61 for corn and \$8.85 for soybeans.

Chad Hart

February Production Up 0.1%, October Revised Up, Oops

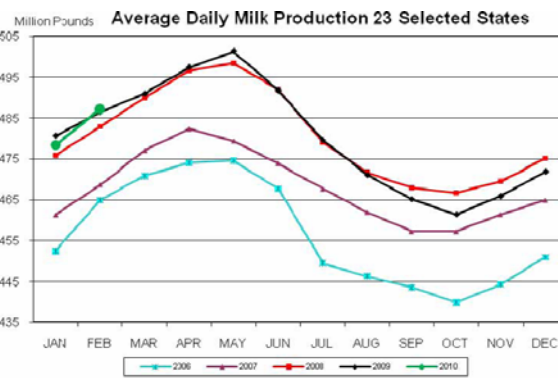
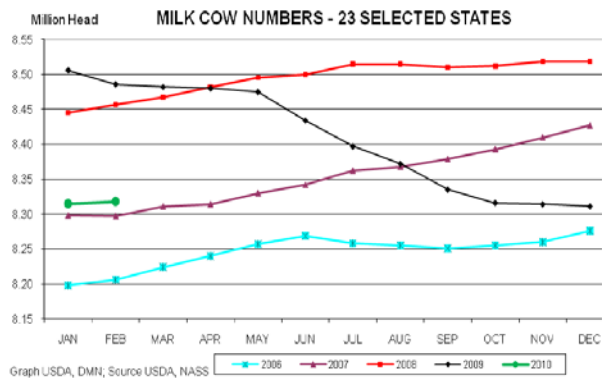
February 2010 23 major dairy states milk production increased 0.1%. Production per cow was up by 35 pounds from one year ago. Milk cow numbers were 168,000 less than February 10 and 3,000 MORE than January 10. January 10 milk production was revised up 0.1%, an increase of 14 million pounds.

Iowa February 10 milk production was 0.6% higher compared to one year ago. Cow numbers were 2000 less than compared to one year ago and milk production per cow was 25 pounds higher than one year ago. Jan 10 Iowa cheese production was 20.079 million pounds, 48.5% higher than one year ago and 8.5% more than Jan 09.

Milk Production: Selected Dairy States, February 2010

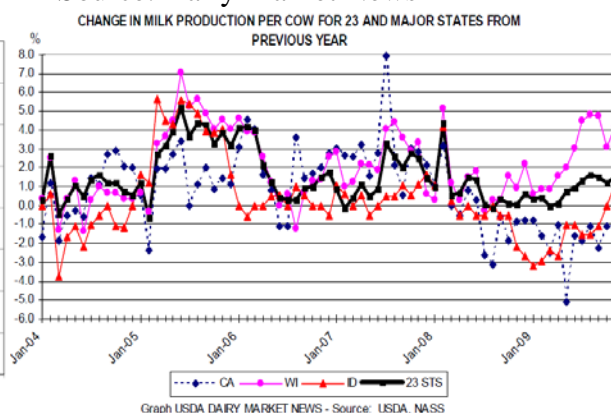
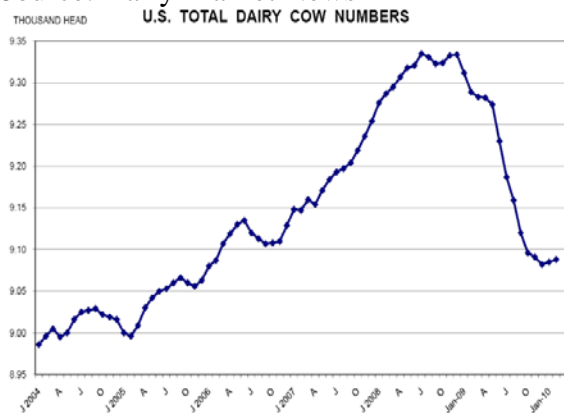
State	thousands			pounds			million pounds		% change
	2009 cow numbers	2010 cow numbers	% change cow numbers	2009 milk per cow	2010 milk per cow	% change milk/cow	2009 total milk production	2010 total milk production	
Iowa	215	213	-0.93%	1650	1675	1.52%	333	335	0.60%
MN	468	470	0.43%	1475	1490	1.02%	690	700	1.45%
WI	1255	1260	0.40%	1505	1585	5.32%	1889	1997	5.72%
IL	102	101	-0.98%	1510	1530	1.32%	154	155	0.65%
CA	1825	1760	-3.56%	1720	1755	2.03%	3139	3089	-1.59%
CO	128	116	-9.38%	1780	1800	1.12%	228	209	-8.33%
KS	124	116	-6.45%	1655	1645	-0.60%	205	191	-6.83%
ID	549	552	0.55%	1640	1690	3.05%	900	933	3.67%
AZ	189	170	-10.05%	1865	1930	3.49%	352	328	-6.82%
NM	333	318	-4.50%	1880	1870	-0.53%	626	595	-4.95%
PA	551	541	-1.81%	1490	1520	2.01%	821	822	0.12%
NY	623	610	-2.09%	1540	1560	1.30%	959	952	-0.73%
TX	430	410	-4.65%	1650	1640	-0.61%	710	672	-5.35%
23-State	8486	8318	-1.98%	1605	1640	2.18%	13624	13643	0.14%
US 4th quarter	9330	9159	-1.83%				46881	46782	-0.21%

Mo had the largest decline in milk production, -9.8%; they lost cows and milk per cow. KS and CO have had large declines in their dairy herd, nearly 10% for CO. NY had a larger drop in cows, 13,000, than any other eastern state. CA has 65,000 fewer cows while AZ had the 2nd largest herd decline, 19,000. A recent comment from Valley Futures said "This month's Livestock Slaughter report showed that dairy producers sent 20,000 less cows to slaughter in February 2010, compared to February 2009. In addition, on a year-to-date basis, producers have culled 89,000 less cows." Oops. The chart below indicates the US dairy herd has bottomed and is increasing.



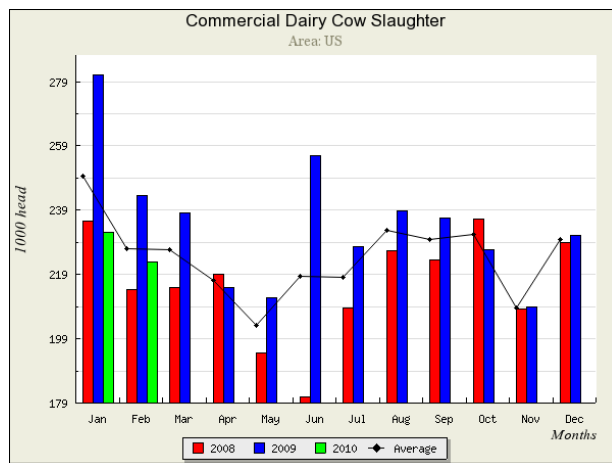
Source: Dairy Market News

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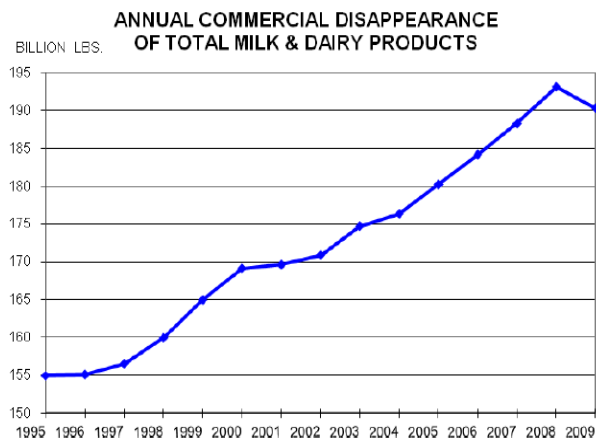
Source: Understanding Dairy Markets, U of WI

Dairy Market News reports “milk output changes this year in selected countries showed Ireland down 10%, France down 2%, Germany lower, and Austria steady. Localized rains were heavy and caused some flooding in parts of France, yet the impact on milk output was not noticed. Intervention is not receiving any current dairy products and current stocks are closed. European butter prices are steady to slightly higher with an unsettled market tone. Production is mainly steady with the recent period and market conditions generally balanced. Export is light.” Total 2009 EU-27 milk production was 294 billion pounds down 0.6% from the previous year.

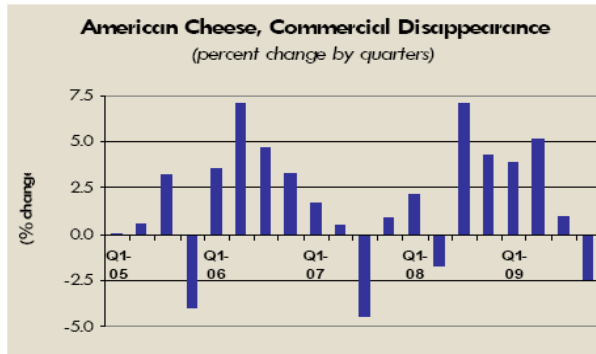
“January 2010 Australian milk output trailed January 2009 by 9.1%; while July-January season to date figures are running 6.6% lower than the prior year period. New Zealand milk production continues to trend higher and current output is tracking slightly higher than a year ago with total season estimates still expected to be above the prior year.” Source: Dairy Market News

Demand or Disappearance

Demand or commercial disappearance has fallen out of bed. Jan-Dec was down 1.2% compared to 2008.



Source: Dairy Market News

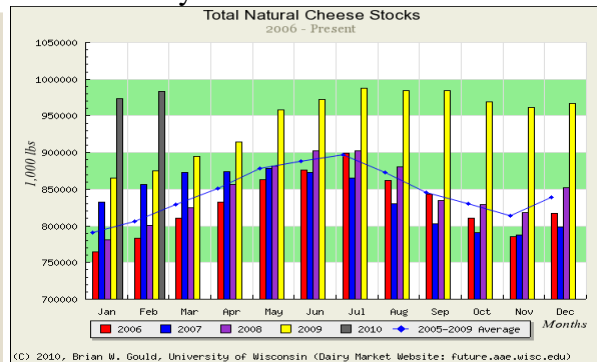


Source: Daily Dairy Report

Dairy Product Manufacture: Jan 2010

Product	thousands pounds	Jan 09 % change	Dec 09 % change
Butter	174,684	-7.20%	7.5
Cheese, total	823,961	2.20%	-2.3
Cheddar	274,091	-2.70%	2.5
Other American	79,133	2.50%	-9.3
Swiss	26,544	2.40%	-4.3
Italian Style	347,897	4.40%	-2.7
NDM	91,524	24.40%	5.6
Sour Cream	108,467	6.30%	16.7
Yogurt	314,524	4.30%	-15.3
Dry Whey, total	88,673	1.10%	2.1
Lactose	64,052	6.70%	8.7
WPC	35,672	-0.40%	3.1
Frozen	1000 gal		
Ice cream	57,527	-2.00%	13.6
Ice cream, lowfat	23,788	-2.60%	0.7

Source: Dairy Products



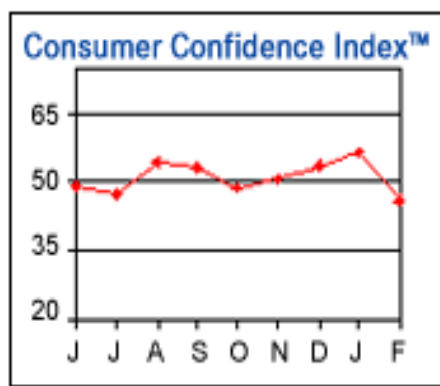
Source: Understanding Dairy Markets, U of WI

Cheese stocks have remained large compared to the 5-year average. And the usual seasonal decline in stocks appears to have been much weaker than usual. Looking at the reported commercial dairy product disappearance explains why cheese stocks have been building at larger than expected levels.

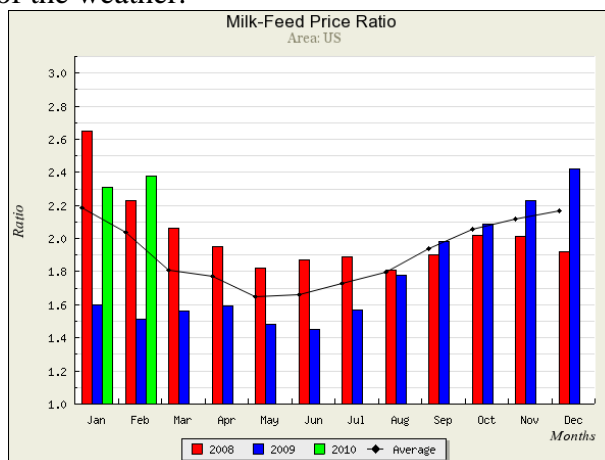
Analysis

The Feb 2010 Milk-Feed price ratio was reported as 2.38, the same as Dec 09. Dec 08 it was 1.92. This level of ratio is neither positive nor negative for milk production.

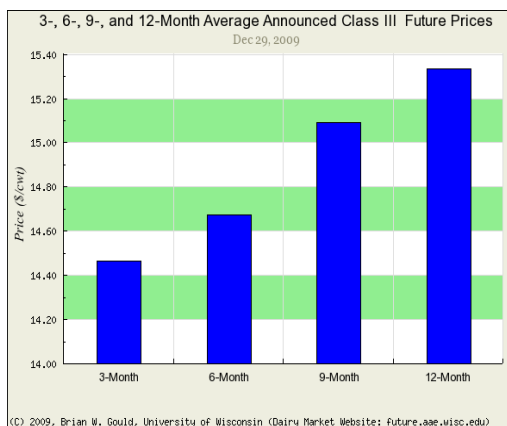
The Consumer confidence Index has been effectively flat since June, rose slightly in December and fell in February. Lynn Franco, Director of The Conference Board Consumer Research Center: "Consumer Confidence, which had been improving over the past few months, declined sharply in February. Concerns about current business conditions and the job market pushed the Present Situation Index down to its lowest level in 27 years (Feb. 1983, 17.5). February appears to have been a very tough month for consumers' attitudes for an economic recovery. Let's hope it was mostly a reflection of the weather.



Source: The conference Board



Source: Understanding Dairy Markets, U of WI



Robert Tigner
University of Nebraska

2000-2009 Population Change in Iowa

Population estimates released annually by the U.S. Census Bureau allow us to monitor the pace and pattern of population growth in Iowa. Recent estimates suggest that Iowa's population growth continues to lag national and regional average rates of growth. In addition, Iowa's population growth is concentrated within just a few areas within the state. Only 22 counties have posted population gains during the current decade. The remaining 77 counties have experienced population declines.

Changes in Iowa and Other Midwestern States

Iowa's total population grew by 81,476 residents during the period from April 1, 2000 to July 1, 2009. The state's overall rate of growth during the decade was 2.8 percent, which was much slower than the average rate of for the United States

Iowa ranked 9th out of 12 Midwestern states on the overall rate of population growth from 2000 to 2009. This was slower than the overall 3.8 percent rate of growth for the Midwestern states. South Dakota's population grew the fastest at 7.6 percent, although its numeric change was relatively small compared to most of the other states. Michigan posted the slowest overall population growth rate at 0.3 percent. Table 1 summarizes the population changes in the 12-state Midwest region.

Table 1

State	2000 Base	2009 Estimate	Percentage Change	Numeric Change	Ranking by Numeric Change
South Dakota	754,835	812,383	7.6%	57,548	10
Minnesota	4,919,492	5,266,214	7.0%	346,722	3
Missouri	5,596,684	5,987,580	7.0%	390,896	2
Indiana	6,080,520	6,423,113	5.6%	342,593	4
Wisconsin	5,363,708	5,654,774	5.4%	291,066	5
Nebraska	1,711,265	1,796,619	5.0%	85,354	8
Kansas	2,688,811	2,818,747	4.8%	129,936	7
Illinois	12,419,658	12,910,409	4.0%	490,751	1
Iowa	2,926,380	3,007,856	2.8%	81,476	9
Ohio	11,353,150	11,542,645	1.7%	189,495	6
North Dakota	642,195	646,844	0.7%	4,649	12
Michigan	9,938,492	9,969,727	0.3%	31,235	11

Population Changes within Iowa

County-level population estimates reveal evidence of continued growth in Iowa's metropolitan areas and persistent decline in most of its non-metropolitan areas. As a group, Iowa's 20 metropolitan counties increased in population by 143,000 residents, growing at an overall rate of 9.1 percent from 2000 to 2009. The state's

non-metropolitan counties experienced a 4.5 percent decline in their population, combining for an overall loss of 61,500 residents.

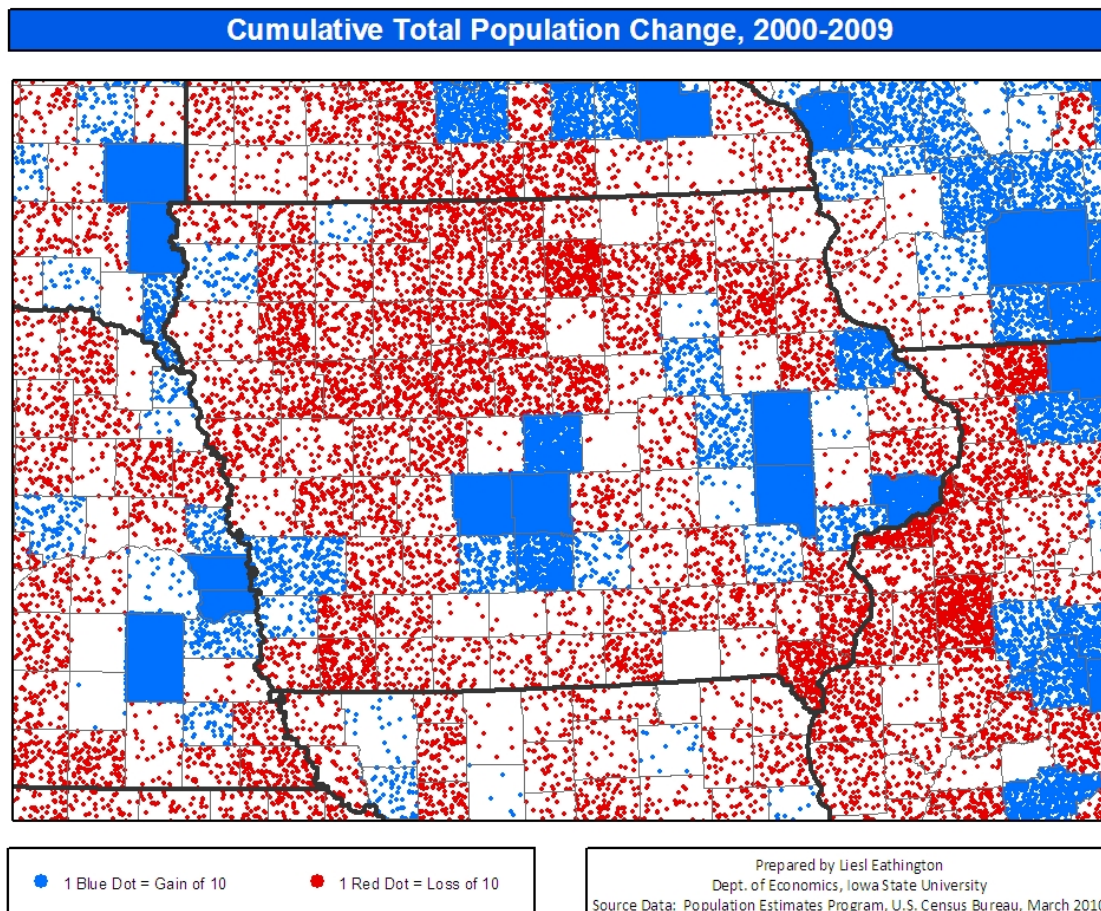
Dallas County led the way with an overall population growth of nearly 52 percent from 2000 to 2009. Pocahontas County had the highest rate of population loss, declining by more than 15 percent. Table 2 identifies the 10 counties with the most rapid rates of population gain and loss between 2000 and 2009. The 10 counties with the fastest rate of growth were all located in metropolitan areas. The 10 counties with the fastest rate of decline were located outside of metropolitan areas.

Table 2

Fastest-Growing Counties	2000-2009 % Change	Slowest-Growing Counties	2000-2009 % Change
Dallas County	51.9%	Pocahontas County	-15.2%
Johnson County	18.0%	Ida County	-13.8%
Polk County	14.6%	Calhoun County	-13.0%
Warren County	11.3%	Sac County	-12.8%
Madison County	9.9%	Cherokee County	-12.5%
Linn County	9.1%	Adams County	-12.3%
Story County	9.0%	Kossuth County	-11.7%
Benton County	5.6%	Audubon County	-11.7%
Scott County	5.0%	Monona County	-11.4%
Dubuque County	4.4%	Wright County	-11.3%

Figure 1 illustrates the magnitude of population gains and losses by county from 2000 to 2009. Each dot in the map represents a gain or loss of 10 residents. Blue shows areas with population gains and red shows areas of population decline. The placement of the dots is random within the county boundaries.

Figure 1



Overall, the Des Moines metropolitan statistical area (MSA) posted the strongest population growth for the decade, growing by nearly 17 percent. The Iowa City MSA was second with a growth rate of 15.6 percent. The Omaha-Council Bluffs MSA, which includes counties in Nebraska, was the third fastest-growing region with a growth rate of 10.7 percent. The Ames and Cedar Rapids MSAs followed with growth rates of 9 percent and 8 percent, respectively.

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