

# Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources  
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## IS THERE ANY LIGHT AT THE END OF THE TUNNEL?

Market Report	Yr Ago	4 Wks Ago	4/6/01
<b>Livestock and Products,</b>			
<b>Average Prices for Week Ending</b>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$72.09	\$82.01	\$ *
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	93.40	98.69	99.37
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	100.84	99.45	101.87
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	111.40	125.06	119.59
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	47.00	45.50	47.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	66.55	*	63.50
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	122.60	131.70	112.15
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	82.10	82.50	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	170.00	171.00	171.00
<b>Crops,</b>			
<b>Cash Truck Prices for Date Shown</b>			
Wheat, No. 1, H.W. Omaha, bu	2.82	3.27	3.12
Corn, No. 2, Yellow Omaha, bu	2.02	1.97	1.89
Soybeans, No. 1, Yellow Omaha, bu	5.03	4.42	4.18
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.52	3.66	3.48
Oats, No. 2, Heavy Sioux City, IA, bu	1.37	1.30	1.40
<b>Hay,</b>			
<b>First Day of Week Pile Prices</b>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	85.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	85.00	70.00	85.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	117.50	105.00

\* No market.

Lately, it seems that one of the most commonly asked questions is, will we ever see grain prices recover? There are some indicators that would leave us to believe that there is some light at the end of the tunnel. It appears that global consumption over the past few years has been catching up with the increase in production that has occurred recently. When looking at the chart on the next page, the grain stocks to use ratio is at a relatively modest 16.5 percent. This is the lowest since 1996 when world inventories declined because of a relatively poor harvest in 1995. The graph shows that consumption actually outpaced production in 1999. But from 1996 through 1998, production was significantly higher than consumption. While this is an indication that we could start to see prices rise, we must bear in mind that an average or a little better than average crop would keep the lid on price movements.

The wheat outlook suggests a tightening world supply, and with the decline in U.S. wheat acres to levels that we have not experienced since 1972, we can expect a further decline in production. With world stocks declining, we could expect U.S. exports to improve. World production in 1998/99 was 588 million metric tons and declined to 587.94 metric tons in 1999/00. 2000/01 production declined to 578.81 million metric tons. We have also seen world ending stocks decline during the same period of time. In 1998/99 the world carried over 136.77 million metric tons, in 1999/00 ending stocks dropped to 126 million metric tons. Wheat stocks took another dramatic drop in 2000/01 (projected), when ending stocks reached 108.89 million metric tons. While the indicators might show dramatic declines, we should not get too excited



about price expectations. In the wheat sector we have large feed grain stocks that have had a dampening affect on wheat prices. As we've witnessed for the past three years, the market has not been very concerned about declining stocks.

Total world coarse grain production has also been declining for three years. In 1998 the world produced 890.04 million metric tons, dropping to 876.96 million metric tons in 1999. This past year we dropped again to 859.73 million metric tons. We also saw ending stocks drop from 169.5 million metric tons in 1998/99 to 165.25 million metric tons in 1999/01. For the year 2000/01 we'll again see stocks drop to 141.6 million metric tons.

While the outlook for corn is getting a little brighter, we should not expect to see too much improvement in prices unless a major drought occurs in the United States. With increased domestic consumption and increased exports we will get rid of most of last year's huge crop without increasing carryout levels. We are also expecting approximately a 10 percent increase in exports because of improving Asian economies. World production in corn did not

see much change between 1998 and 1999, with 1998 producing 605.27 million metric tons and 1999 producing 605.65 million metric tons. Last years corn production did fall, to 585.56 million metric tons. Meanwhile, we also saw ending stocks drop from 121.93 million metric tons in 1998/99 to 105.4 million metric tons in 2000/01.

Consequently, as we have watched the indicators become more favorable towards wheat and corn, we have certainly not seen prices responding to those indicators. Unfortunately, as history has shown us for the past three years, good indicators do not necessarily mean good prices at this time. For prices of wheat and corn to make significant increases for the 2001 crop, we will have to have some very adverse growing conditions in the major wheat and corn producing countries.

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