



Cornhusker Economics

Understanding Market Outlooks

As 2024 has concluded, many industry analysts will reflect on the market trends and forces that shaped 2024 to make improved decision making in 2025. This is a pivotal time to evaluate the factors influencing commodity markets and plan for the future. Market outlooks play a vital role in this process, offering agricultural producers and industry stakeholders valuable insights into price trends, production forecasts, and market dynamics. By analyzing data from government agencies, universities, and private firms, these outlooks help users anticipate and navigate market fluctuations, whether through short-term forecasts or long-term projections spanning decades. With advances in technology and greater accessibility, market outlooks have become indispensable tools for risk management, strategic planning, and marketing. In this article, we review a few features of market outlooks, explore key features of market outlooks, and then provide some practical tips for using them to manage risk effectively.

Crops:

- Corn: Prices fell to their lowest in almost 15 years from record production.
- Soybeans: Market dynamics have started to shift with announcements on biodiesel plants with the objective of capturing premiums in sustainable aviation fuel and evolving.
- Hay: Most states saw improvements in pasture and hay conditions, with hay stocks ending slightly higher nationally.

Livestock:

- Hogs: Prices have rebounded in 2024 driven by export demand, but closures of some major processing plants have dampened long-term prospects.
- Poultry and Eggs: Poultry and egg prices have recovered after the 2022-23 bird flu incident which reduced production and caused volatility for producers.
- Dairy Products: Dairy product prices have continued to climb this year. Cheese, whey, butter, etc. were all strong but bird flu testing has shaken the market since summer.
- Cattle: Feeder cattle producers experienced some of the highest prices since 2015, and in some states, record highs. However, fed cattle producers' profitability was mixed, influenced by feeder cattle costs and benefiting from lower corn prices.

Processors:

- Meat Processing: Faced their largest losses in a decade, with some plants expected to shut down next year. Total meat production stayed level with last year due to higher carcass weights.
- Ethanol: Ethanol plants were still not profitable despite lower corn prices.

The Role of Market Outlook

Historically, market outlooks were primarily the responsibility of university and commodity board economists, who provided impartial, third-party perspectives to help producers make informed production decisions. Their objectivity stemmed from access to marketing information, data, research, and a “nothing to gain financially from markets” approach. While the core purpose of outlooks remains unchanged, advancements in technology have transformed how producers access and use this information. Faster connections to market data and sophisticated tools for modeling and estimation have expanded options, leaving producers to navigate an array of outlooks and forecasts from both traditional and emerging sources.

How are outlooks developed?

Not all outlooks are created the same and it's often in these small differences or assumptions that lead to different conclusions. All forecasts assume that markets will be in equilibrium in the long run. That is, what is produced is what will be consumed and the prices they will be consumed at. Thus, outlooks can be created using a “supply”, or “demand” based forecasts.

1. Supply-Based Outlook:

Supply-based outlook focuses on analyzing current and anticipated agricultural production levels. Most agricultural production cycles have biological constraints that often make supply relatively fixed in the short run and insensitive to price (i.e. inelastic). By trying to determine the amount of production that will occur due to weather and climate, input costs, technology, policy, and trade we can estimate a range of possible prices.

2. Demand-Based Outlook:

Contrast that with demand-based outlook which says that producer behavior in the short run will be determined by prices. Demand-based outlook is often used to determine the demand that will be passed down from consumers to producers that will influence production. Given biological lags, these outlooks tend to be used more in the long run.

Length of Time in Outlook

Another consideration is the outlook timeframe being considered for prices and quantities. Some market economists will do short-term outlook (i.e. what will prices be for a given commodity tomorrow, this week, or even this month). Others will focus on more medium-range demand such as next quarter. Still others will focus on long-term outlook estimating prices and quantities for 1-2 years. Finally, there are a few outlooks that examine what we consider extremely long-run forecasts sometimes referred to as baseline forecasts as they generally estimate production and prices for 15 years in advance. The assumptions were made vary greatly given the outlook time frame.

Frequency of Outlooks

The frequency tends to follow the length of the outlook. Shorter outlooks tend to be updated more frequently. Longer-term outlooks can be adjusted quarterly, yearly, or every five years. We are unaware of any useful, and usable, outlooks that are updated less frequently than this.

Data Used in Outlooks

As a general rule, most outlooks use the same data when estimating models. This data is gathered and archived by various USDA agencies. That is not to say that other private firms and institutions do not gather and maintain their own databases. In fact, many private firms spend large amounts of money gathering data that will help replicate USDA data to gain an advantage for their customers. Outlooks that come from these are often paid subscriptions which justifies the added cost of data gathering.

Scope and Scale of Outlooks

Outlooks are always focused on a set of commodities at a given scale. For example, monthly barley prices in Alaska in 2025 or US annual beef consumption from 2025-2030. The scale provides the bounds for what prices and quantities are being predicted. The scale also indicates how much variation there will likely be in the outlook. National forecasts tend to vary less than local outlooks due to aggregating more locations. Similarly, outlooks for red meat consumption are less likely to vary than pork production since we are aggregating over more quantities. However, that said, there are exceptions to this from year to year and from commodity to commodity.

Format of Market Outlooks

Outlooks are now more accessible than ever thanks to advances in technology. Historically, outlooks were delivered at meetings attended with live attendance and magazine or newsletter mailings. Now outlooks come in the form of newsletters, podcasts, radio, webinars, etc. all of which are indexed and can be referenced at a later time. In-person meetings still exist but they tend to be more common at large trade shows or commodity board meetings rather than local county meetings.

Who Produces Market Outlooks?

Government, universities, commodity boards, and private industry (generally marketing firms) have staff economists who provide regular outlooks. Other organizations or industry participants that do not have a staff economist will generally pay for an economist to provide a market outlook to their event or subscribers generally during a larger event such as a yearly customer appreciation meeting or trade show. The economist providing the outlook generally follows the market pretty regularly and has a set way of presenting and analyzing information. So, if you have seen them once, the presentation/set-up will likely be similar even if the information or context has changed. Our objective is not to endorse or promote any individual outlook, we do provide a few different forecasts that represent a spectrum or outlooks that you might observe.

Organization	Source	Length	Frequency
Livestock Marketing Information Center (LMIC)	https://lmic.info/price-production/	1.5 years	Quarterly
CattleFax	https://www.cattlefax.com/#/	Various	Various
American Farm Bureau	https://www.fb.org/market-intel/net-farm-income-in-2024-forecast-to-be-down-25-from-last-year	1 year	Yearly
Rural and Farm Finance Policy Analysis Center	https://ruralandfarmfinance.com/about-us/	1 year	Yearly
Center for Agricultural Profitability	https://cap.unl.edu	Various	Various
Food and Agricultural Policy Research Institute	https://fapri.missouri.edu/	5-10 years	Yearly
USDA Baseline Estimates	https://www.ers.usda.gov/data-products/agricultural-baseline-database/	5-10 years	Yearly
USDA-ERS Commodity Outlook (various commodities)	https://www.ers.usda.gov/publications/pub-details/?pubid=110206	1 year	Monthly

Using Outlooks in Marketing Plans

Outlooks can be used in a variety of ways. They can be seen as:

1. **Informational:** Understand potential price ranges.
2. **Verification:** Compare with your prior assumptions or compare against other outlooks.

3. **Planning:** Directly integrated into marketing and/or risk management strategies.

We advocate for those outlooks to be used for planning purposes. These can help set a range of outcomes that are possible throughout the production year. Working from these ranges, you can then develop how that range will change up/down if certain assumptions change. This should then help one develop a risk management and marketing plan. In other words, which price levels will I sell, how much, to whom, etc., and what tools will be used to “lock in” a price or margin when it is obtained in the market. As a general rule of thumb, we don’t advocate for a single outlook although we ourselves provide outlook and consume other forecasts. As we previously stated, the difference lies in the details and some outlooks are better used in certain scenarios. We advocate for a composite approach, averaging multiple forecasts to account for differing assumptions and methodologies. This diversification minimizes reliance on any one model and provides a balanced perspective to your planning.

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