



IFES 2016: Crop and Livestock Price Prospects for 2017

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This is a presentation summary from the 2016 Illinois Farm Economics Summit (IFES) which occurred December 12-16, 2016. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available [here](#).

CROPS

Crop prices remain well below the record levels of 2010 through 2013 as U.S. and world supplies remain abundant, even with a shortfall in South American corn and soybean production in 2016, Commodity demand also continues to suffer from prolonged slow economic growth in much of the world. The lower prices are expected to persist until there is a shortfall in production in a major producing region or until U.S. and world economic growth accelerates. Following is a discussion of price prospects assuming a favorable 2017 growing season.

Corn prices remain pressured by four consecutive large crops in the U.S. Exports received a boost from the shortfall in Brazilian corn production in 2016, but export demand will weaken in the second half of 2017 if South American production rebounds. Domestic corn demand remains weak due to a slow increase in ethanol production and declining livestock prices. Still, feed use of corn will be supported by the expansion in livestock production and by low corn prices. After declining to 820 million bushels at the end of the 2012-13 marketing year, stocks grew to 1.74 billion bushels at the end of the 2015-16 marketing year and are projected at 2.4 billion bushels at the end of the current year. Planted acreage of corn is expected to decline in 2017 in favor of more soybean acres. A three million acre reduction and a trend yield near 169 bushels would result in a 2017 crop one billion bushels smaller than the 2016 crop. Such a reduction would result in a reduction in stocks by the end of the 2017-18 marketing year. Prices are expected to average near \$3.30 during the current year and near \$3.60 during the 2017-18 marketing year if world production unfolds as expected.

Soybean prices have remained high relative to the price of corn and wheat even with three consecutive large crops in the U.S. Exports have been supported by continued large imports by China and by the shortfall in South American production in 2016. As a result, U.S. stocks of soybeans were less than 200 million bushels at the end of the 2015-16 marketing year. The very high yielding crop of 2016, however, is expected to push 2016-17 marketing year ending stocks to 480 million bushels. Planted acreage of soybeans is expected to increase, perhaps by as much as four million acres, in 2017 due to the low prices of corn and wheat and the lower cost of producing soybeans relative to corn. The very high soybean yields of the past three years make it more difficult to anticipate yields for 2017. A yield near 48 bushels would result in a 2017 crop about 200 million bushels smaller than the 2016 crop, but would still

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point to a further increase in U.S. stocks by the end of 2017-18 marketing year. Prices are expected to average near \$9.20 during the current year and near \$8.75 during the 2017-18 marketing year if world production unfolds as expected. Expanding biodiesel production, however, has the potential to support prices at a higher level.

U.S. **wheat** production increased by 250 million bushels in 2016 even as harvested acreage was reduced by 3.4 million acres. Soft red winter (SRW) wheat production was down by 15 million bushels. SRW production declined by 37 percent from 2013 to 2016 and wheat acreage in Illinois declined by 57 percent from 1999 to 2016. Foreign wheat production in 2016 was large for the fourth consecutive year. U.S. exports of SRW are expected to decline by 30 million bushels this year while exports of other classes of wheat are expected to increase by 230 million bushels. Stocks of all classes of U.S. wheat are expected to grow to a 29-year high of 1.14 billion bushels by the end of the current marketing year. A sharp decline in winter wheat production is expected in 2017, reflecting a decline in acreage as well a decline in yield from the record 55.3 bushels of 2016. Most of the Illinois wheat crop is sold at or shortly after harvest, so the average price received for the 2016 crop will be near \$3.90. An average near \$4.50 is expected at harvest time in 2017.

LIVESTOCK

Livestock prices reached a peak in 2014 due to reduced red meat production resulting from high feed prices, drought conditions in cattle producing areas, and disease in the U.S. hog herd. Production has now rebounded and prices have declined sharply. Further production increases are on tap for 2017.

U.S. **pork** production has increased steadily since 1986, except for a fairly flat period from 2008 through 2014. Production is expected to increase from 25.0 billion pounds in 2016 to 25.8 billion pounds in 2017. Exports are expected to increase from 5.2 to 5.4 billion pounds while imports are expected to stabilize near 1.1 billion pounds. Domestic pork supplies are projected at 51.0 pounds per capita in 2017, up from 49.9 pounds in 2016 and 49.7 pounds in 2015. The average price of hogs was near \$50 in 2015 and about \$45.50 in 2016. An average near \$40 is expected for 2017, with highest prices in the last half of the year.

U.S. **beef** production reached a 22 year low in 2015, but is expected to increase from 25.1 billion pounds in 2016 to 26.2 billion pounds in 2017 due to the expansion in the cow herd that started in 2015 and the continuation of low feed prices. Exports are expected to increase from 2.5 billion pounds in 2016 to 2.6 billion pounds in 2017 while imports are expected to decline from 3.0 to 2.7 billion pounds. Domestic per capita beef supplies are projected at 56.6 pounds in 2017, up from 55.4 pounds in 2016 and 53.9 pounds in 2015. Fed cattle prices averaged near \$148 in 2015 and about \$120 in 2016, but are projected to average only about \$105 in 2017.

Additional Resources

The slides for this presentation can be found at:

http://www.farmdoc.illinois.edu/presentations/IFES_2016

For current outlook information, see:

<http://www.farmdocdaily.illinois.edu/>

<http://www.agmanager.info/>

<https://ag.purdue.edu/agecon/Pages/Prices-and-Outlook.aspx>

<http://cattlemarketanalysis.org/>

<http://www.extension.iastate.edu/agdm/>