



IFES 2017: Crop and Livestock Price Prospects for 2018

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This is a presentation summary from the 2017 Illinois Farm Economics Summit (IFES) which occurred December 18-22, 2017. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available [here](#).

CROPS

Crop prices will remain below the high levels seen in the early part of this decade due to large global inventories. Global economic growth continues to build on the momentum seen over the last year. Growth in China and emerging market in Asia is projected to remain strong throughout 2018. The prospects of improved growth support commodity demand, but the significant changes to trade policy could mitigate some of this demand growth in export markets. Lower prices are expected to continue in 2018 barring a shortfall in one of the major production regions. The following price outlook analysis assumes a good 2018 growing season.

Corn prices continue to struggle with large crops and five consecutive years of growth in ending stocks. Domestic corn demand continues to see moderate growth in corn used for ethanol which has been supported by record levels of ethanol exports. Growth in livestock production and low corn prices provide support for increased feed usage during the 2017-18 marketing year. The potential for greater than 5.5 billion bushels in feed and residual use would be the largest amount since 2007-08. Corn exports currently lag the pace of last marketing year's 2.29 billion bushels and are projected at 1.95 billion bushels by the end of the current year. Planted acreage of corn is expected to increase slightly in 2018 to 90.8 million acres. Assuming a trend yield near 172.3 bushels would result in a 2018 crop near 14.4 billion bushels. A projected total use of 14.5 billion bushels would result in the 2018-19 marketing year ending stocks near 2.44 billion bushels, a slight decrease from 2017-18 projections. Prices are expected to average near \$3.30 during the current year and near \$3.40 during the 2018-19 marketing year if production develops as expected.

Soybean prices remain strong relative to corn and wheat prices. U.S. soybean ending stocks continue a five-year pattern of growth with 2016-17 ending stocks ending at 301 million bushels. The lower than initially projected ending stocks benefited from very strong export numbers driven by continued growth in exports to China. Soybean exports are projected to exceed 2.2 billion bushels during this marketing year, up from last marketing year's 2.174 billion bushels. Expanded soybean acreage and a 49.5 bushel yield for the 2017 crop are expected to increase 2017-18 marketing year ending stocks to 480 million bushels. Planted acreage of soybeans is expected to increase moderately to 90.6 million acres in 2018 due to the low prices of corn and wheat and the lower cost of producing soybeans relative to corn. A yield near 48.5

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bushels would result in a 2018 crop about 52 million bushels smaller than the 2017 crop. With total use projected at 4.32 billion bushels, a further increase in U.S. stocks is expected by the end of the 2017-18 marketing year. Prices are expected to average near \$9.20 during the current year and near \$8.80 during the 2018-19 marketing year if world production develops as expected.

U.S. **wheat** acreage is expected to continue declining. Planted acreage decreased to 46.01 million acres in 2017. U.S. wheat production decreased by 508 million bushels in 2017 with average yield down by 6.3 bushels per acre. Soft red winter wheat production decreased to 202 million acres on 230,000 fewer acres nationally. Soft red winter wheat production is down 49 percent from 2010-2017 in Illinois. During the same period, wheat acreage in Illinois declined by 450,000 acres. World wheat production in 2017-18 is expected to decline slightly from the record levels of 2016-17. Foreign wheat production is expected to increase for the fifth consecutive year. U.S. stocks of wheat in all classes are projected to decline to 935 million bushels after hitting 1.18 billion bushels in 2016-17. U.S. soft red winter wheat ending stocks are expected to grow by 7 million bushels in 2017-18. The average price received for the 2017 crop is expected to be near \$4.60. The Illinois price at harvest is expected to be near \$4.75.

LIVESTOCK

Livestock markets continue to respond to the growing demand for meat globally and lower feed costs. Prices in the livestock sector look to level out after declining from the highs seen in 2014 and the subsequent supply response. Production levels are expected to increase in 2018.

U.S. **beef** production is expected to increase 4.6 percent in 2018 on higher levels of feedlot placements in last half of 2017 and the beginning of 2018. Beef production is forecast at 27.6 billion pounds in 2018, up 1.2 billion pounds over 2017. Beef export markets continue to exemplify U.S. competitiveness in foreign markets. Exports are projected at 2.97 billion pounds, up from 2.85 billion in 2017. Recent strength in export markets has been driven by strong demand from Japan. Domestic per capita beef consumption is projected to increase in 2018 to 59.2 pounds, up 1.9 pounds from 2017. Strong demand in 2017 moved cattle through feedlots at a rapid pace. Fed cattle prices look to move lower in the first half of 2018 on large supplies. Fed cattle prices average near \$122 in 2017 but look to average near \$117 in 2018. Feeder steer prices averaged \$145 in 2017 and are projected to be around \$142 in 2018.

U.S. **pork** production is projected to increase in 2018 to 26.9 billion pounds, up 1.2 billion pounds from 2017. Delays in hog slaughter levels in the fourth quarter of 2017 are projected to push first quarter pork production in 2018 up 4.7 percent of 2017 levels. Pork exports in 2018 are expected to increase from the 5.6 billion pounds exported in 2017 to 5.9 billion pounds. While increased exports to Mexico helped to support the export pace thus far in 2017, lower export levels to Japan and China is currently a drag on pork exports. Domestic pork supplies in 2018 are forecast at 52.1 pounds per capita, up from 50.4 in 2017. The average hog price is expected to decrease to \$45.00 in 2018, down from \$49.01 in 2017

Additional Resources

The slides for this presentation can be found at:

http://www.farmdoc.illinois.edu/presentations/IFES_2017

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/>