



IFES 2018: Crop and Livestock Price Prospects for 2019

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This is a presentation summary from the 2018 Illinois Farm Economics Summit (IFES) which occurred December 17-21, 2018. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available [here](#).

Crops

Crop prices continue adjusting to the current trade environment and large global inventories. Global economic growth appears set to moderate after a prolonged recovery period following the recession. Growth in many countries in Asia and, in particular, China show signs of weakening as we move into 2019. The prospects of lower growth in many of the key U.S. export markets may influence demand, but a significant change to current trade policy would mitigate possible losses in export markets. Barring a shortfall in a major production region or a resolution to trade issues, prices look to remain near current levels in 2019. The following price outlook assumes a good 2019 crop season.

Corn prices remain relatively flat despite a reduction in ending stocks during 2017-18 for the first time in five years. Domestic corn demand continues to see growth in corn used for ethanol with support from record levels of ethanol exports. Growth in livestock production and low corn prices provide support for increased feed usage during the 2018-19 marketing year. Trade issues with China and the newly negotiated USMCA look to influence corn exports. Corn exports currently show a much stronger pace than last marketing year's 2.44 billion bushels but substantial uncertainty remains. An expectation of higher planted acreage of corn is set for 2019. An estimate of 91.8 million acres with a trend yield near 174.2 bushels results in a 2019 crop near 14.7 billion bushels. A projected total use of 14.76 billion bushels would result in the 2019-20 marketing year ending stocks near 1.76 billion bushels, on par with 2018-19 projections. Prices look to average near \$3.70 during the current year and near \$3.65 during the 2019-20 marketing year if production and trade issues develop as expected.

Soybean prices dropped substantially in 2018 as the trade war with China heated up over the summer. U.S. soybean ending stocks continue to grow with 2017-18 ending stocks coming in at 438 million bushels. Current projections place 2018-19 ending stocks near 930 million bushels on much lower export totals. A projection of soybean exports sit near 1.91 billion bushels during this marketing year, down from last marketing year's 2.13 billion bushels. Soybean crush looks to continue strength but cannot make up for the drastic reduction in exports. Planted acreage of soybeans appears set to decrease substantially

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in 2019. At planted acreage of 85.7 million acres with an estimated yield near 49.2 bushels, the 2019 crop comes in at 4.2 billion bushels. With total use projected at 4.11 billion bushels, a further increase in U.S. stocks appears likely by the end of the 2019-20 marketing year. A considerable amount of uncertainty remains due to trade issues with China and South American crop prospects in 2019. Prices look to average near \$8.50 during the current marketing year and near \$8.40 during the 2019-20 marketing year if world production develops as expected and no resolution to current trade issues develops over the near term.

An expectation of increased U.S. **wheat** acreage in 2019 makes it two consecutive years for acreage increases. Planted acreage came in at 47.8 million acres in 2018 with a forecast of 51 million acres in 2019. Wet conditions and slow planting in the Southern Plains brings this acreage total into question. U.S. wheat production increased by 145 million bushels in 2018, with an average yield at 47.6 bushels per acre. Soft red winter wheat production decreased to 6.6 million bushels on 150,000 more acres nationally. While food use is on track to meet current projections, the slow start this marketing year in exports may see the current projection of 1.025 billion bushels lowered. An expectation of stronger exports in the second half of the marketing year due to production problems around the world may mitigate export issues. World wheat production in 2018-19 declined on lower production in Australia, Ukraine, and Pakistan. Projections of U.S. wheat stocks in all classes sit at 949.3 million bushels after hitting 1.18 billion bushels in 2016-17. The average price received for the 2018 crop is expected to be near \$5.10.

Livestock

Livestock markets face large supplies and strong demand moving into 2019. Domestic and foreign demand remains strong and helps alleviate concerns about the large supply. Prices in the livestock sector look to remain near 2018 levels during 2019.

U.S. **beef** production is expected to increase 3.3 percent in 2019. Beef production looks to increase to 27.8 billion pounds in 2019, up 0.9 billion pounds over 2018. Beef demand remained strong in the second half of 2018 as beef cutout prices missed the third quarter slump seen over the last two years. Beef export markets continue to exemplify U.S. competitiveness in foreign markets. Projections of beef exports sit at 3.265 billion pounds, up from 3.19 billion in 2018. Recent strength in export markets derived from strong demand in Japan, South Korea, Mexico, and other Asian markets. Domestic per capita beef consumption increases in 2019 to 58.5 pounds, up 1.5 pounds from 2018. Fed cattle prices look to move higher in the first half of 2019 on strong demand. Fed cattle prices average near \$117 in 2018 but look to average near \$118 in 2019. Feeder steer prices averaged \$148 in 2018 and current projections place 2019 prices near \$145.

Projections of U.S. **pork** production increase in 2019 to 27.7 billion pounds, up 1.4 billion pounds from the record high level of 2018. Domestic and foreign pork demand maintain a pace to match production levels. Lower pork prices and strong incomes spurred domestic consumption at the end of 2018. Pork exports in 2019 look to increase from the 5.98 billion pounds exported in 2018 to 6.2 billion pounds. Despite retaliatory tariffs, Mexico remains the top export destination. Strong exports to Japan and South Korea continue to support the export market. Domestic per capital consumption in 2019 sit at 52.8 pounds, up from 50.6 in 2018. An average hog price near \$42.00 looks likely in 2019, down from \$45.50 in 2018. Stronger prices remain a possibility if demand from China materializes during 2019.

Additional Resources

The slides for this presentation can be found at:
http://www.farmdoc.illinois.edu/presentations/IFES_2018

For current outlook information, see:
<http://www.farmdocdaily.illinois.edu/>
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