



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

Urbana, Illinois 61801

August 23, 1978

OPTIMISTIC FARM OUTLOOK

AT THE MIDWEST OUTLOOK CONFERENCE, held recently in Columbia, Missouri, many analysts were optimistic about the farm economy for the next 12 to 15 months. The Conference, which has been held annually for about 25 years, consisted primarily of agricultural economists from 11 universities in the Midwest and Plains States plus representatives from the U.S. Department of Agriculture.

The prices of agricultural commodities for the year ahead will depend very heavily on the state of the general economy. As of now, real growth is expected to continue through 1979, but at a slower rate than during 1978. Although the Gross National Product is expected to increase at a rate of 9 to 10 percent, a continued high inflation rate could keep real growth at 2.5 to 3 percent. Increases in real per capita income may also be in the 3-percent range. The recent reductions in the unemployment rate are expected to be maintained, with unemployment during 1979 averaging under 6 percent.

The generally favorable economic outlook implies that consumer demand for food will be relatively strong during the year ahead. The strength of consumer demand affects the livestock sector most directly. With everything else held constant, additional consumer disposable income results in higher meat prices.

For the year ahead, rising consumer incomes and a significantly declining supply of beef will apparently result in higher prices at the retail and farm level. Cattle prices are expected to recover to the mid \$50's this winter, perhaps averaging near \$60 per hundredweight next fall and winter.

Pork supplies may well be on the increase because of relatively high profit levels and an ample supply of feed grains. Increasing incomes and rising cattle prices should prevent a major reduction in live hog prices, however. An increase of 6 to 7 percent in the hog slaughter next year projects to a \$3 to \$5 price reduction per hundredweight, on the average. Prices for the year seem likely to average around the \$45 level.

Expanding hog and poultry production as well as profitable livestock prices should result in a strong domestic demand for feed grains during 1979. Large export movement of corn is also expected again next year, although it is too early for accurate predictions. If large exports develop and the domestic feeding rate increases, corn

prices could recover from the current levels. Because of large supplies, however, prices above \$2.25 to \$2.30 per bushel now seem unlikely.

The strong world and domestic demand for soybean meal and soybean oil is expected to continue into next year. A strong demand coupled with only a slightly larger U.S. soybean crop may result in a significant soybean price recovery. The size of the recovery will depend on the size of the oilseed crops around the world, particularly the Brazilian soybean crop. Because Brazil's supply of 1978 crop beans is nearly depleted, the demand for U.S. soybeans should be up during the first six months of the marketing year.

For the calendar year of 1978, net farm income will total about \$25.3 billion, up from \$20.1 billion in 1977. During 1979, livestock earnings are expected to increase. Crop receipts may match those of 1978. Increases in total farm expenses may just about offset increases in receipts.

D. L. Good

D.L. Good, Extension Specialist, Prices and Outlook

Cooperative Extension Service
United States Department of Agriculture
University of Illinois
At Urbana-Champaign
Urbana, Illinois 61801

Official Business
Penalty for private use, \$300

FIRST CLASS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

