



WEEKLY OUTLOOK

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August 20, 1980

PRICE OUTLOOK FOR 1980-81

AGRICULTURAL PRICE OUTLOOK SPECIALISTS FROM 13 LAND-GRANT UNIVERSITIES met recently to share analyses and price outlooks for the coming year. A brief review of that meeting follows.

Price prospects will be significantly influenced by the health of the general economy. The current recession dampens the expectations for growth in consumer food demand. Economists are predicting that the Gross National Product (GNP) will continue to decline in real terms through the end of 1980. However, recovery is expected to begin during the first quarter of 1981. Real disposable income per capita, the best single measure of consumer food demand, has been declining since the fourth quarter of 1979. Continued declines are expected through the first half of 1981 with only modest recovery during the remainder of the year.

The general slowdown in the economy is expected to push unemployment rates higher during 1981, perhaps reaching 9 percent. At the same time, the inflation rate (as measured by the Consumer Price Index) is projected to remain at about 10 percent.

Economic indications point to slowdown in consumer spending. Such a slowdown will affect the livestock sector most directly. Current projections suggest that consumers will have less money to spend in the year ahead. History suggests, however, that expenditures for food in general and for meat in particular will not decline faster than the overall rate of decrease.

Let's examine the general outlook for the agricultural commodities that are important in Illinois.

HOGS. The fourth quarter of 1980 should see a seasonal increase in hog slaughter. If such expectations materialize, prices are likely to decline to the low \$40 range during the last quarter of 1980. A cutback of 10 percent in slaughter is projected for the first half of 1981. Because of demand uncertainties, price estimates for that period differ substantially. Past relationships, however, suggest a return to the \$50 level, or perhaps higher, during the first half of 1981. If hog producers do not expand farrowings rapidly, prices should remain high through all of 1981.

CATTLE. The record of sluggish prices in 1980 and the prospects of reduced consumer income in 1981 produced rather modest projections for cattle prices over the next 9 months. Widely varying projections were also presented about prospective

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beef supplies. The variations stem from differing judgements concerning the rate at which herds will grow and about the mix of fed and nonfed cattle slaughtering. In general, current prices are expected to hold through the end of 1980, averaging in the low to mid \$70 range during the first half of 1981. These projections seem to be conservative.

WHEAT. A record harvest and rising inventories suggest that reserve stocks of wheat will not be needed. The \$4.20 release price on those reserves should set an effective ceiling on prices to wheat farmers.

CORN. The substantially reduced corn crop along with a strong export demand imply that most of the reserve stocks of corn will be needed. Prices are likely to average above the \$2.81 release figure but below the \$3.26 call price. Most analysts project an average of \$2.90 to \$3.10 per bushel for 1980-81.

SOYBEANS. The soybean crop will be substantially smaller than last year. The domestic demand for soybean meal will decline and the demand for oil will increase. The export demand for both products should remain strong. Prices high enough to cut the current rate of use will be required. An average farm price of \$7.75 to \$8 per bushel is expected.

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