

OUTLOOK FOR COMMODITY PRICES

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Executive Summary

Corn

- Large 2004 U.S. crop and increased use, but larger stocks
- Expect a return to trend yields (or less) in 2005
- Prospects for continued expansion in use in 2005-06
- Market must maintain (increase?) U.S. acreage in 2005-06
- 2004-05 average price of \$1.95 to \$2.05, but higher in 2005-06
- Good pricing opportunities in spring/summer 2005

Soybeans

- Large 2004 U.S. crop and increased use, but much larger stocks
- South American production unknown, but 2005 crop started well
- Asian rust to impact acreage and yield in U.S. in 2005?
- Smaller 2005 crop already bid into price structure
- 2004-05 average price of \$4.90 to \$5.20, but slightly higher in 2005-06

Wheat

- Extremely large world crop in 2004 leading to larger world inventories
- China a major importer for the first time in 10 years
- Reduced acreage in U.S. again in 2005
- 2004-05 average price of \$3.20 to \$3.50, but slightly higher in 2005-06

Beef

- Liquidation phase of cattle cycle winding down
- Beef production to be steady in 2005
- Improved export prospects if trade restrictions lifted
- Prices to remain high in 2005

Hogs

- Production to increase in 2005
- Demand is red hot, domestic and imports
- Lifting of beef trade restrictions could be negative
- Unexpectedly high prices in 2004, but will moderate in 2005

