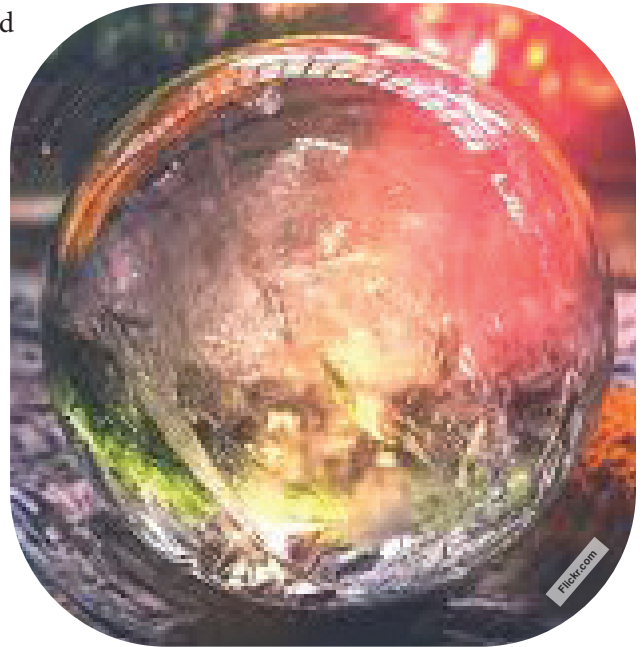


Decoding the Ag Market Outlook

As the year draws to a close, many in the agriculture industry reflect on the market trends and forces that shaped 2024. This is a pivotal time to evaluate the factors influencing commodity markets and plan for the future. Market outlooks provide agricultural producers and industry stakeholders with valuable insights into price trends, production forecasts, and market dynamics.

By analyzing data from government agencies, universities, and private firms, these outlooks help users anticipate and navigate market fluctuations. They include both short-term forecasts and long-term projections spanning decades. Advances in technology and greater accessibility have made market outlooks indispensable tools for risk management, strategic planning, and marketing.

In this article, we explore key features of market outlooks, examine their development, and provide practical tips for using them to manage risk effectively.



Crops: Insights into 2024 Trends

- **Corn:** Prices fell to their lowest levels in nearly 15 years, primarily due to record production levels. Favorable growing conditions in key producing regions contributed to bumper crops, while strong global competition put additional downward pressure on prices. For producers, these trends highlighted the importance of managing input costs and exploring alternative marketing strategies to mitigate losses.
- **Soybeans:** Markets underwent significant changes in 2024 as investments in biodiesel plants and soybean crushing facilities accelerated. These developments aim to meet the growing demand for renewable diesel and sustainable aviation fuel, driven by global efforts to reduce carbon emissions. Producers may benefit from higher premiums in renewable energy markets, but they also face new challenges, such as adapting to changing infrastructure needs.
- **Hay:** Most states reported improvements in pasture and hay conditions, resulting in slightly higher national hay stocks. Favorable weather patterns played a key role in bolstering production, providing relief to livestock producers who rely on hay for feed.

Livestock: Navigating Volatility

- **Hogs:** Prices rebounded in 2024, buoyed by strong export demand, particularly from Asia. However, closures of major processing plants due to labor shortages and operational inefficiencies have cast uncertainty on long-term prospects. Producers must weigh the benefits of current price recovery against potential future disruptions.
- **Poultry and Eggs:** After the devastating bird flu outbreak of 2022–2023, the poultry and egg sectors showed resilience, with prices recovering to pre-outbreak levels. Producers faced challenges in rebuilding flocks and managing biosecurity measures, but demand for poultry and eggs remains strong domestically and internationally.



- **Dairy Products:** Markets saw continued price growth across key categories, including cheese, whey, and butter. However, market disruptions linked to bird flu testing and shifting consumer preferences for plant-based alternatives added complexity to the outlook. Dairy producers need to monitor these emerging trends closely to stay competitive.
- **Cattle:** Feeder cattle producers experienced some of the highest prices since 2015, with record highs reported in several states. Conversely, fed cattle profitability varied widely due to high feeder cattle costs and the influence of lower corn prices. Producers are increasingly relying on market outlooks to determine optimal marketing and feeding strategies.

Processors: Industry Challenges

- **Meat Processing:** The sector faced its largest losses in a decade, with several plants expected to shut down in 2025. Rising labor costs, regulatory pressures, and fluctuating demand have all contributed to financial difficulties. Despite these challenges, total meat production remained steady due to higher carcass weights.
- **Ethanol:** Producers continued to struggle with profitability, even as corn prices declined. Increased competition from alternative energy sources, such as electric vehicles, poses long-term challenges for the ethanol industry.

The Role of Market Outlooks

Historically, market outlooks were the domain of university and commodity board economists, who provided impartial perspectives to help producers make informed decisions. These experts relied on robust data and research, ensuring objectivity.

Today, technological advancements have democratized access to market outlooks. Producers can now use digital tools to access real-time forecasts, compare multiple sources, and customize insights to suit their specific needs.

How Are Market Outlooks Developed?

Market outlooks vary widely, as small differences in assumptions can lead to significantly different conclusions. All forecasts are based on the principle of market equilibrium, where supply matches demand at a certain price.

- **Supply-Based Outlooks:** Focus on current and projected production levels, taking into account factors such as weather, input costs, technology, policies, and trade dynamics. For example, a supply-based outlook might estimate the impact of drought conditions on corn yields and subsequent prices.
- **Demand-Based Outlooks:** Analyze consumer behavior and its influence on producer decisions. For instance, rising demand for plant-based proteins might shape long-term projections for soybean production. These outlooks are particularly useful for strategic planning over extended time horizons.

Timeframes and Frequency of Outlooks

Market outlooks differ by the timeframes they cover. Short-term outlooks are updated frequently to reflect current market conditions, while long-term outlooks may be revised quarterly or annually. Producers should choose the timeframe that aligns with their specific planning needs.

- **Short-term:** Daily, weekly, or monthly forecasts focusing on immediate price movements.
- **Medium-term:** Quarterly or yearly forecasts that provide a broader view of market trends.

| Organization | Source | Length | Frequency |
|--|---|------------|-----------|
| Livestock Marketing Information Center (LMIC) | https://lmic.info/price-production/ | 1.5 years | Quarterly |
| CattleFax | https://www.cattlefax.com/#/ | Various | Various |
| American Farm Bureau | https://www.fb.org/market-intel/net-farm-income-in-2024-forecast-to-be-down-25-from-last-year | 1 year | Yearly |
| Rural and Farm Finance Policy Analysis Center | https://ruralfarmfinance.com/about-us/ | 1 year | Yearly |
| Center for Agricultural Profitability | https://cap.unl.edu | Various | Various |
| Food and Agricultural Policy Research Institute | https://fapri.missouri.edu/ | 5-10 years | Yearly |
| USDA Baseline Estimates | https://www.ers.usda.gov/data-products/agricultural-baseline-database/ | 5-10 years | Yearly |
| USDA-ERS Commodity Outlook (various commodities) | https://www.ers.usda.gov/publications/pub-details/?pubid=110206 | 1 year | Monthly |

- Long-term: Projections spanning 1–2 years, often used for strategic planning.
- Baseline forecasts: Extremely long-term projections, sometimes spanning 15 years or more.

Data Sources and Accuracy

The accuracy of a market outlook depends on the quality of its data. Most outlooks use data from USDA agencies, which provide a reliable baseline for analysis. Private firms also invest heavily in proprietary data collection, offering tailored insights to paying clients. While private outlooks can be valuable, producers should weigh their costs against the potential benefits.

Scope, Scale, and Presentation of Outlooks

Outlooks vary in their scope and scale. For instance, a local outlook might focus on barley prices in a single state, while a national outlook could cover trends in beef consumption across the U.S. Larger-scale outlooks tend to exhibit less variation due to data aggregation.

Technological advances have also transformed how outlooks are presented. In addition to traditional in-person meetings, producers can now access forecasts through newsletters, podcasts, webinars, and mobile apps. These formats allow for greater flexibility and convenience.

Using Outlooks in Marketing Plans

Market outlooks can serve as valuable tools for decision-makers.

- Informational purposes: Understanding potential price ranges.
- Verification: Cross-referencing assumptions with other forecasts.
- Planning: Developing marketing and risk management strategies.

We recommend a composite approach, averaging multiple forecasts to account for differing methodologies. For example, if one outlook predicts high soybean prices due to strong demand, while another highlights potential risks from trade disruptions, producers can use both insights to develop a balanced marketing plan.

By setting clear price targets and outlining contingencies, producers can better manage risks and capitalize on favorable market conditions.

Conclusion

Market outlooks are essential tools for navigating the complexities of modern agriculture. By understanding their development, scope, and applications, producers can make informed decisions to optimize their operations. Whether short-term or long-term, supply-based or demand-focused, these forecasts offer valuable guidance for risk management and strategic planning.



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