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THE 1977 AGRICULTURAL OUTLOOK is characterized by prospects for large supplies of most crops and near-record livestock production. Grain prices will probably average lower in the upcoming year in contrast to expectations for higher oilseed and cotton prices. Supplies of red meat—measured on a per capita basis—are projected to decline marginally from the estimated 1976 record of 192 pounds; a reduction in beef supplies will likely offset increased pork production. These developments suggest that the income of the livestock producers will likely be enhanced compared to that of crop producers.

Information presented at the annual National Agricultural Outlook Conference last week suggests that carryover stocks of wheat will be sharply higher next June. In addition, wheat growers are expected to plant almost the same acreage for the next crop as they did for the 1976 crop. Although some cutback in spring wheat acreage seems likely, it now appears that a large wheat crop is in the offing for the third consecutive year. The USDA predicts that the average farm price for wheat during the 1976/77 crop marketing year will range between $2.75 and $3.25 per bushel. Since prices averaged $3.04 per bushel in the first five months and the current price level is around $2.50 per bushel, the annual average price could fall very near the low end of the given range.

Recent upward revisions in feed grain production estimates suggest that supplies will exceed utilization and permit further buildup of carryover stocks at the end of the crop year. For example, at the start of the present crop year, corn supplies—the major feed grain—are estimated to total nearly 6.5 billion bushels, up 3 percent from last year and more than sufficient to handle the projected increase in use and still leave ending stocks 45 percent larger than year-earlier. Farm prices for corn could range between $2.25 and $2.75 per bushel, according to USDA officials, in comparison to the 1975/76 average of $2.55 per bushel. As with wheat, the upper portion of the range may be somewhat optimistic in light of the present supply/demand situation.

In contrast to wheat and corn the supply/demand situation for soybeans is very tight and prices have increased accordingly. During the past two months farm prices for soybeans averaged $6.30 per bushel, up $1.15 per bushel from the same year-ago period. Offsetting the U.S. situation to some degree are prospects for increased competition from foreign sources, such as soybeans from Brazil and palm oil from Malaysia. Furthermore, given the anticipated future price relationships, corn will be substituted for soybeans in many livestock rations. Wheat may also be incorporated in rations, particularly for cattle, although the experience of the last few months suggests that the amount of wheat utilized for feed may fall considerably short of earlier estimates.

The livestock outlook for 1977 is one of guarded optimism. Cattle inventories will likely decline further, albeit at a sharply lower rate than occurred in 1976. Current estimates place the ending-1976 cattle inventory at 121 million head, down 7 million from a year earlier. The expected drop in the rate of nonfed steer and heifer slaughter should impart price strength to the cattle market. Choice steer prices will likely move to the low-to-mid-$40 per hundredweight level in the first half of 1977 according to USDA estimates. Higher fed cattle prices coupled with slightly lower feed costs should provide an incentive for feeders to expand their operations as the year progresses and may ultimately result in some downward pressures on fed cattle prices towards the latter part of 1977, particularly the last quarter.

Hog production will likely reach the peak of the current upward cycle in 1977. Consequently, per capita pork consumption may rise by 10 percent or more in 1977 and be reflected by lower average annual hog prices. However, hog prices are expected to average around $35 per hundredweight in 1977 and to remain fairly stable throughout the year.

Dairy producers will face growing stocks and the prospect that prices may average lower in 1977. While demand was firm in 1976, milk production showed the largest year-to-year gain since 1953. After three years of virtually stable output milk production will rise about 4 percent this year. Prospects for another 1 to 2 percent rise in 1977 milk output suggest lower prices, perhaps approaching support-level prices sometime early next year.

Farm income prospects for 1977 remain subject to a number of uncertain variables, weather conditions both in the United States and abroad being one of the most important. If the expectations for continued large grain crops are met, and total meat production is held at—or slightly below—the 1976 level, livestock producers will be in a relatively strong income position compared to this year, while crop producers will likely experience some decline. Realized net farm income—income before adjustments for changes in inventory values—will total about $24 billion in 1976 and could range within plus or minus $1 billion of that figure in 1977.

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