Agricultural Prices

Since their record highs of 1996, agricultural prices as a whole have fallen about 21%. This has created difficulties for farmers throughout the nation, including the Fourth District. Prices for two of the District’s most important commodities, corn and soybeans, have dropped even more than the all-product average in the last few years. Since their high point in 1997, soybean prices have fallen 52%; corn prices have gone down 63% since their 1996 high.

A still steeper drop occurred in hog prices, especially last year, when price declines for hogs quickly outpaced drops in feed-grain prices. From their high point in August 1996, hog prices plunged 75% to their low point in December 1998. Although they have rebounded slowly, hog prices remain lower than those of the previous few years.

One reason agricultural prices have declined so sharply in recent years is the drop in exports of agricultural products, particularly to Asia. From 1996 to 1998, U.S. exports of all food products fell about 16%. On the basis of data for the first half of the year, food exports overall are expected to post even lower levels for 1999. Over the 1996–98 period, exports of corn and soybeans showed exceptionally sharp declines, plunging 46% and 33%, respectively. Exports of meat and poultry also declined slightly. If trends in the first half of 1999 continue for the rest of (continued on next page)
Agricultural Prices (cont.)

- The year, corn exports will rebound, while exports of soybeans and meat and poultry will continue to decline.

- Although reduced exports have had a major effect on agricultural prices, direct exports of farm products from the Fourth District are relatively insignificant. In 1997, exports accounted for only 1% to 3% of all agricultural product sales in each Fourth District state.

- This year’s severe drought has compounded the problems of Fourth District farmers. Pastures have become so dry that most farmers have been forced to start feeding their cattle hay, and some have begun selling off their herds. Moreover, much of the District’s corn and soybean crop is reportedly in poor condition, and low yields are expected. Drought conditions are worst in the southern part of the District, with some areas of northern Kentucky showing a rainfall deficit of more than eight inches between April 1 and August 29. Certain areas of the District have recently begun to receive more rain, but the drought has already caused severe damage.

- Nonetheless, agricultural prices are expected to remain low, since the drought is affecting only the eastern U.S. and not the major agricultural areas of the Great Plains. Futures markets predict slightly higher prices over the next year, but the rise will be gradual and prices will remain low compared to those of a few years ago.

---

Agricultural Exports in 1997

<table>
<thead>
<tr>
<th>State</th>
<th>Value of exports (millions of dollars)</th>
<th>Percent of value of all agricultural products sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentucky</td>
<td>67.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Ohio</td>
<td>97.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>120.2</td>
<td>3.0</td>
</tr>
<tr>
<td>West Virginia</td>
<td>8.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>

---

**FOURTH DISTRICT PRECIPITATION LEVELS, APRIL 1-AUGUST 29, 1999**

- The fourth district precipitation levels show varying degrees of drought severity, with some areas experiencing near normal conditions and others facing extreme deficiencies.

---

**U.S. EXPORTS OF AGRICULTURAL COMMODITIES**

- The graph illustrates the trend in U.S. agricultural exports from 1993 to 2000, with a focus on corn, soybeans, meat, and poultry.

---

**FUTURES PRICES**

- The graph shows the trend in futures prices for corn and soybeans from 1999 to 2000, with a notable increase in prices from September 1999 to December 2000.

---

*Sources: U.S. Department of Commerce, Bureau of the Census and International Trade Administration; U.S. Department of Agriculture, Census of Agriculture and National Agricultural Statistics Service; Chicago Board of Trade; and University of Kentucky, College of Agriculture.*