



2005 OUTLOOK FOR LOUISIANA'S AGRICULTURE

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INTRODUCTION

With an ever-changing production and marketing environment, agricultural producers face a number of difficult decisions. This publication provides Louisiana's agricultural producers with a view of the potential marketing and production environment they are likely to face in 2005. We hope the information will help producers as they make their farm management and production plans for 2005.

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ECONOMIC OUTLOOK

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NATIONAL SITUATION

The U.S. economy begins the year poised for continued growth in 2005 after a solid year in 2004. The economy weathered higher oil prices in impressive fashion, posting a tame inflation rate of 3.5% in 2004 and a relatively strong 3.9% GDP growth for the year. The labor market created more than 1.6 million new jobs in 2004 as the economy moved further into the expansion. These factors create momentum that should ensure continued expansion in the coming year.

The primary concerns for the U.S. economy lie in the twin trade and budget deficits. Replacing recent U.S. surpluses, the 2004 budget deficit topped 3.6% of GDP in 2004. While the budget deficit is near its 35-year average, the current account deficit of 5.6% of GDP represents a trade imbalance that will be unsustainable for any extended period. A falling dollar is the market's answer to this problem – making U.S. goods cheaper abroad and imports more expensive in the United States. The falling dollar also creates inflationary pressures at home and, combined with budget deficits, also creates pressure for U.S. interest rates to rise. Over time, these inflationary and interest pressures slow the economy – making the twin deficits a key concern; however, these factors tend to work slowly and may pose a greater risk for 2006.

The momentum of the current expansion is one of several factors that should offset the twin deficits, at least for 2005. Productivity rose rapidly in 2004, and this increasing trend should continue in 2005. The hope is that the weaker dollar, combined with a stronger Euro area economy, will stimulate U.S. exports and lead to a gradual improvement in the trade imbalance during the year. Likewise, gradual interest rate

hikes by the Federal Reserve Bank and oil prices below \$50 should help check inflation in 2005.

Overall, expect a strong U.S. economy, perhaps slowing to a growth rate near 3% in 2005. Many expect the U.S. business sector to play a larger role in driving the economy in 2005 as firms that have postponed equipment purchases are forced to replace aging equipment. In terms of the U.S. labor market, expect the unemployment rate to hover between 5% and 5.5% as the economy adds more than a million net new jobs in the coming year.

Until the trade deficits fall, the dollar should remain weak, perhaps at levels nearing \$1.40 per euro. Productivity growth and Federal Reserve policy should check inflationary pressures and keep inflation in the 3% range. That Fed policy will also contribute to rising interest rates – an increase of around 1% in the 10-year Treasury note can be expected.

LOUISIANA SITUATION

Following the nation out of the 2001-2002 recession, Louisiana added 7,500 jobs in 2004. In %age terms, that translates into a relatively slow 0.4% growth rate for employment in 2004 and closely tracking population growth. Louisiana's personal income grew more rapidly, posting a projected 3.7% gain to push annual per capita personal income up to \$27,000. For 2005, the Louisiana Economic Model (LEM) predicts slightly more rapid employment growth of 0.9%, or a Louisiana economy that will create just over 17,000 jobs.

Most job creation has occurred in the services sectors in recent years, both for Louisiana and the nation. Nationally, the lack of job creation in manufacturing reflects both foreign competition and productivity gains, which allow manufacturing plants to produce more output with fewer workers. In Louisiana, high natural gas prices have further threatened the manufacturing sector, particular for Louisiana's important chemical firms. For 2005, the LEM predicts another year of net job losses in

manufacturing; however, continued growth in the services sectors and a resurgence of construction employment will more than offset this weakness in manufacturing for 2005.

Alexandria, the smallest of Louisiana's MSAs, spent 2004 recovering from job losses during the recent recession. The LEM is projecting that Alexandria will add 1,200 new jobs in 2005. This translates into 2.1% job growth and the second fastest growing economy in Louisiana based on job growth. Including both the direct and indirect impact, the new Union Tank Car facility will create 1,527 new jobs for Rapides Parish and more than \$50 million in new earnings. A new terminal at England Airpark and a \$220 million construction project to support an expansion at Fort Polk will provide additional stimulus.

The Baton Rouge MSA exceeded the LEM's projections and added 2,800 jobs in 2004 (up 0.9%). The key question in Baton Rouge is whether strength in the services sector can overcome difficulties faced by its petrochemical industry. More than 10% of the Baton Rouge workforce is employed in industrial construction, so downsizing in the chemical sector can quickly spread to the rest of the economy. With natural gas prices high, several chemical firms have laid off workers. Future job losses are expected. Baton Rouge has offset challenges in the manufacturing sector with the state's strongest employment gains in service sectors and a number of significant construction projects. The new \$45 River Place Condominium project, a \$50 million Capitol House Hotel and the billion-dollar Shin Tech plant in Iberville Parish top the area's list of upcoming construction projects. Overall, expect modest growth of 2,000 jobs in 2005.

The Houma MSA failed to get its typical bump from higher natural gas prices in 2004 and lost 900 jobs in 2004. Recent legal cases such as the Corbello case may have contributed to a lackluster net increase of 4% in Louisiana's rig count and weakness in the Houma economy. The area can expect 1,000 new jobs in 2005, primarily

because of a better performance from the local shipyards.

The Lafayette MSA added 600 jobs in 2004 and should create another 2,100 in 2005. The Hejia Group is tentatively planning to open a new facility in the old Fruit-of-the-Loom facility. Lafayette can also expect a boost from an expansion of operations at the Cingular Call Center, and the extraction sector should also add 800 new jobs.

The Lake Charles MSA relies heavily on the petrochemical industry, aircraft repair and its casinos. Northrup Grumman laid off 400 workers in 2004 and, like Baton Rouge, the area is vulnerable to job losses at its chemical plants. Breaking with that trend, Citgo is expanding its plant and will soon become the fourth largest refinery in the United States. The area will also benefit from construction of several large Liquid Natural Gas (LNG) terminals and a new Pinnacle Entertainment casino resort, which will open early in 2005. Overall, the LEM predicts Lake Charles will be the fastest growing area of Louisiana, with 2.8% employment growth (2,400 net jobs) for 2005.

The Monroe MSA lost 900 jobs in 2003 and remained flat in 2004. Job losses at Graphix Packaging and Guide Corporation have played a key role in creating the relative weak recent economy, and 2005 is unlikely to be much better. The closing of State Farm's Monroe facility will cost the MSA 1,100 jobs in 2005. With a forecast of 400 net jobs lost in the coming year, the LEM predicts the Monroe economy will be the weakest in Louisiana for 2005.

The New Orleans MSA lost almost 2,000 net jobs in 2004, a 0.3% reduction in employment following a loss of more than 11,000 jobs in the 2001-02 recession. High natural gas prices have caused several ammonia fertilizer plants in the area to shut down, and declining convention bookings are a source of concern to the key tourism industry. With several major construction projects and some additional strength in other

areas, however, the New Orleans economy is predicted to add 6,000 jobs (1.0% growth) in 2005.

The Shreveport MSA economy added 800 jobs in 2004, but is still well below its pre-recession employment levels. Job losses at Avaya Communications, Pennzoil, Boeing and Precision Response have led to a lackluster economy in recent years; however, signs exist that the area economy is turning the corner. General Motors has hired 600 additional workers to begin test-building the Hummer 3. These additional workers will provide a real boost the economy, particularly if these test-builds are converting into production at the old plant in Shreveport. With new jobs also expected at Continental Airlines regional jet maintenance facility and Answer Group's call center, the LEM forecasts that the MSA will add 1,100 jobs for a 0.6% growth rate in 2005.

FARM INPUTS OUTLOOK

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INTRODUCTION

Farm inputs are those items used to produce the food and fiber needed by the United States and the world. The production process uses some inputs that are completely consumed in the yearly production cycle such as seed, fertilizer, chemicals, fuel or feed. Capital items are another type of input that has a life of several years and is only partially used up in the yearly production cycle. Examples of long term or capital input items are machinery and equipment, breeding livestock, orchards and facilities.

Louisiana agriculture is a large consumer of farm-produced and manufactured inputs. The U.S. Department of Agriculture estimated 2003 (latest year for which data is available) farm production expenses for Louisiana agriculture, including operator dwellings at \$2.0033 billion, down slightly from \$2.004 billion in 2002.

Purchased inputs totaled \$1,234 million (up from \$1,222 million): purchased feed, \$117.5 million; purchased livestock and poultry, \$33.7 million; purchased seed, \$107.2 million; fertilizers and lime, \$131.3 million; pesticides, \$190.5 million; petroleum fuels and oils, \$106.1 million; electricity, \$31.1 million; repair and maintenance of capital items, \$123.6 million; custom work and machinery hire, \$42.4 million; marketing, storage and transportation, \$154.8 million; contract labor, \$12.2 million and miscellaneous expenses, \$185.5million. Capital consumption expenses are an estimated \$213.4 million.

Payments to stakeholders totaling \$519.7 million are composed of employee compensation (hired labor), \$173.0 million; net rent for non-operator landlords, \$215.8 million; and interest payments, \$130 million. The changes in the cost

of the annual production inputs are of great importance to the producer because changes in these items affect farm organization and net income immediately. Changes in the prices of long-term input items affect the producer as new investments are made

NATIONAL OUTLOOK

The 2004 USDA Farm Income forecasts for the nation as a whole are published at the Economic Research Service, Farm Income Data Web site:

<http://www.ers.usda.gov/data/FarmIncome/>

The USDA forecasts total U.S. production expenses will reach \$211.8 billion for the first time in 2004. This forecast is a 7.2% increase from 2003. Farm origin inputs (feed, livestock and seed) are forecast at \$56.3 billion, up 7% from 2003. Manufactured inputs are forecast to be \$30.4 billion, up 7.4% from 2003. Interest charges are expected to total \$13.3 billion, up .8%. Other operating expenses are forecast up 9.3% to \$71.4 billion.

U.S. agriculture generates a tremendous business cashflow in the process of producing food and fiber for domestic use and export.

LOUISIANA OUTLOOK

Each year the LSU AgCenter's Department of Agricultural Economics and Agribusiness estimates cost of production for major Louisiana commodities. Electronic copies of this publication are available from the Department of Agricultural Economics and Agribusiness' Web site:

<http://www.agecon.lsu.edu>

Look for commodity budgets under Quicklinks.

Dealers are surveyed to gather information on input costs to prepare the annual cost estimates. The data from all sources is summarized and compiled into a state or region

average price for use in preparing the budgets. The comparison of estimated 2005 input prices with earlier years is not as extensive as in past reports.

The pesticide technology used in agriculture has changed. As a result, new plant-pesticide technologies are evolving that are not directly comparable with older technologies. In addition, as patent protection for older pesticides has ended, generic pesticides have emerged at a lower cost. New formulations of older pesticides have been developed to extend their usefulness as well.

In addition, the format of the price information gathered for the 2005 budgets is different from earlier years because the computer software used to calculate the various crop and livestock budgets has been upgraded. As a result of these changes, only limited price comparisons can be made. The summary of the prices furnished by dealer follows: One hundred thirty-three herbicide prices were collected for 2005. Of these, 82 were comparable with 2004. Forty-two herbicide prices declined while 37 increased and three stayed the same. The average % price decline was 7% with a maximum decline of 20% and a minimum decline of .25%. The average herbicide price increase was 4% with a maximum increase of 17% and minimum increase of .6%.

Sixty-three insecticide prices were collected. There were 29 prices for 2005 comparable with 2004 of which 10 declined, 15 increased and four stayed the same. The average decline was 6% with a maximum decline of 27% and a minimum decline of .8%. The average increase was 6% with a maximum increase of 31% and a minimum increase of .2%. Gasoline and diesel prices were expected to rise 34% and 56%, respectively. Six 2004-05 comparable fungicide prices were collected. The average change was a 4% decline. In general, fertilizer prices are expected to increase because of higher fertilizer seed stock prices for 2005 as compared to 2004.

The variation in product prices provides an opportunity for less expensive products and formulations to be substituted for more costly products. Producers should carefully look at their input requirements and compare product prices to keep their costs of production as low as possible. Prices and services offered will vary from dealer to dealer and production area to production area. Careful purchasing must take into consideration not only price but quality and service as well. Price alone should not be the only guide in the purchase of production inputs. A summary analysis of the prices collected from across the state is presented in Table 1. Individual dealers may have higher or lower prices, depending on their situation.

Table 1a: Estimated Prices for Operating Inputs in Louisiana, 2005

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
ADJUVANTS			FUNGICIDES		
Oil (Seed Oil)	pt	2.15	Apron Maxx RTA	oz	0.77
Crop Oil (Petroleum)	pt	0.95	Apron XL	oz	9.08
Surfactant	pt	1.54	Apron XL LS	oz	6.58
CUSTOM FERT/LIME			Benlate 50 WP	lb	15.95
App Fert by Air	cwt	4.75	Captan 4L	pt	2.83
App Fert by Air (Min)	appl	4.75	Captan 50 WP	lb	3.03
Custom Apply Fert	acre	5.00	Delta Coat AD	oz	3.75
Custom Spread (Truck)	appl	4.50	Dithane F-45	qt	2.62
Lime (Spread)	ton	32.00	Dithane Rainsheild	pt	2.52
CUSTOM SPRAY			Fungicide	lb	2.32
App by Air (2 gal)	appl	2.50	Gem 25 WG	oz	3.25
App by Air (3 gal)	appl	3.00	Manzate 75 DF	lb	2.58
App by Air (5 gal)	appl	4.00	Manzate Flowable	pt	1.69
App by Air (10 gal)	appl	6.00	Moncut 70 DF	lb	24.15
Custom Apply	acre	4.00	Orbit	oz	3.40
Custom Terragator	acre	4.00	Prevail	lb	27.10
FERTILIZERS			Quadris	oz	2.12
Amm Nitrate (34% N)	cwt	10.65	Ridomil Gold PC	lb	1.90
Amm Sulfate (21% N)	cwt	8.20	Rovral 4F	pt	18.80
Boron (Solubor)	lb	0.66	Stiletto	oz	0.52
DAP	cwt	12.70	Stratego	pt	18.40
Fert 10-34-0	cwt	11.85	Terrachlor Flowable	pt	4.74
Fert 41-0-0-4	cwt	13.15	Terraclor 2EC	pt	1.90
LA Nitrogen	lb	0.30	Terraclor Super X EC	pt	3.69
LA Phosphate	lb	0.26	Terraclor Super X G	lb	2.32
LA Potash	lb	0.15	Tilt 3.6 EC	oz	2.53
Phosphorus (46% P2O5)	cwt	11.55	Vitavax 200	oz	0.43
Potash (60% K2O)	cwt	8.25	Vitavax RTU-Thiram	oz	0.28
Sulfur	lb	0.21	Vitavax T-L	oz	0.29
UAN (32% N)	cwt	8.75	HARVEST AIDS		
UAN + Sulfur (28% N)	cwt	8.90	Accelerate	pt	2.98
Urea, Solid (46% N)	cwt	11.80	Ammonium Sulfate	lb	0.18
Zinc	lb	0.24	Boll'd	pt	6.79
GIN/DRY			CottonQuik	pt	3.51
Dry Corn	bu	0.19	Def 6	pt	5.86
Dry Grain Sorghum	cwt	0.25	Def/Folex	pt	5.86
Dry Rice	bu	0.40	Dropp 50 WP	lb	58.80
Gin	lb	0.08	Dropp SC	oz	3.78
LARice Dry	cwt	0.90	Ethephon 6E	pt	6.09
GROWTH REGULATORS			Finish 6	pt	10.65
Early Harvest PGR	oz	1.55	Folex 6EC	pt	5.86
LA Polado	oz	0.38	Ginstar EC	pt	24.38
Mepex	oz	0.52	Gramoxone Max	pt	5.02
PGR IV	oz	1.65	Harvade 5F	oz	0.72
Pix Plus	oz	0.51	Leafless	pt	18.56
			Prep	pt	5.79
			Solium Chlorate 6L	gal	4.35

Table 1b: Estimated Prices for Operating Inputs in Louisiana, 2005

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
HERBICIDES			HERBICIDES (continued)		
2,4-D Amine 4	pt	1.64	Domain 60DF	lb	12.54
2,4-D Ester	pt	1.78	DSMA 4	pt	0.84
AAtrex 4L	pt	1.40	Dual 8E	pt	0.00
AAtrex NINE-O	lb	2.41	Dual II Magnum	pt	13.49
Accent Gold	oz	7.35	Dual Magnum	pt	12.73
Accent SP	oz	31.10	Duet	pt	3.15
Aim 2EC	oz	5.43	Evik DF 80W	lb	6.21
Aim DF	oz	7.48	Exceed	oz	11.05
Arrosolo	qt	7.12	Exceed Custom Pak	oz	11.22
Assure II	oz	1.01	Facet 75DF	lb	49.51
Atrazine 4L	pt	1.26	First Rate	oz	25.98
Atrazine 90DF	lb	2.31	Flexstar HL	pt	12.43
Authority 75DF	lb	26.40	FloMet 4L	pt	4.58
Axiom 68DF	lb	17.57	Front Row	oz	20.96
Backdraft	pt	2.42	Frontier 6.0	oz	0.65
Banvel	pt	10.29	Fultime	pt	3.71
Basagran	pt	9.59	Fusilade DX	oz	1.05
Basis Gold	lb	19.19	Fusion	pt	17.90
Beacon 75% WSP	oz	25.78	Glyphos	pt	2.56
Beyond	oz	4.11	Glyphomax	pt	3.88
Bicep II Magnum	qt	10.32	Glystar Plus	pt	2.84
Bladex 4L	qt	7.80	Goal 2XL	pt	11.27
Blazer Ultra	pt	8.69	Gramoxone Max	pt	5.02
Boa	pt	3.63	Gramoxone Max	pt	5.02
Bolero 8EC	pt	4.66	Grandstand R	qt	20.71
Boundary	pt	9.57	Guardsman	pt	4.74
Buctril 4EC	pt	13.65	Guardsman Max	pt	5.28
Butoxone 175 (2,4-DB)	pt	2.81	Harmony Extra	oz	12.48
Butoxone 200 (2,4-DB)	pt	3.75	Hoelon 3EC	pt	8.26
Butyrac 175 (2,4-DB)	pt	2.59	Karmex DF	lb	3.85
Butyrac 200 (2,4-DB)	pt	3.74	LA Asulox	gal	47.75
Canopy XL	oz	2.33	LA Weedmaster	gal	24.79
Caparol 4L	pt	3.59	Lariat	qt	2.49
Celebrity Plus	lb	81.16	Lasso 4EC	qt	5.92
Clarity	pt	11.36	Layby Pro	qt	9.00
Classic	oz	12.60	Lexone 75DF	lb	18.90
Clincher EC	oz	1.63	Liberty	pt	8.01
Cobra 2EC	oz	1.08	Lightning	oz	11.40
Command 3ME	pt	10.36	Linex 4L	pt	6.35
Conclude XACT	pt	7.69	Londax 60DF	oz	14.95
Conclude XTRA	pt	8.32	Lorox 50DF	lb	13.99
Cotoran 4L	pt	4.34	MSMA 6.6	pt	2.06
Cotoran DF	lb	7.07	MSMA6 + Surfactant	pt	2.26
Cotton Pro Flowable	pt	3.34	Newpath 2SL	oz	3.98
Crossbow	pt	6.43	Ordram 15-G	lb	1.13
Delta Goal	pt	9.79	Ordram 8-E	pt	6.99
Denim 0.16 EC	pt	23.84	Outlook	pt	17.66
Detail	pt	7.99	Pendimax 3.3	pt	2.58
Direx 4L	pt	2.14	Permit 75DF	oz	15.65
Direx 80 DF	lb	3.51	Poast 1.53	pt	8.38
Diuron 4L	pt	2.34	Poast Plus	pt	6.27
Diuron 80 DF	lb	3.58	Propanil 4E	qt	5.30

Table 1c: Estimated Prices for Operating Inputs in Louisiana, 2005

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
HERBICIDES (continued)			INSECTICIDES (continued)		
Prowl 3.3 EC	pt	2.61	Comite	pt	10.09
Pursuit DG	oz	11.24	Confirm 2F	oz	1.36
Pursuit Plus EC	pt	6.18	Counter 15G	lb	2.23
Python WDG	oz	9.38	Counter CR	lb	2.77
Raptor	oz	4.02	Curacron 8E	pt	8.60
Reflex 2LC	pt	11.49	Decis 1.5EC	oz	2.45
Regiment 80WP	oz	37.54	Declare	pt	3.75
Remedy	pt	11.41	Denim 0.16EC	pt	23.84
Resource .86EC	pt	20.58	Di-Syston 15G	lb	2.09
Ricestar	pt	20.36	Di-Syston 8	pt	10.89
Roundup Original	pt	4.05	Dimethoate 4E	pt	4.47
Roundup Original Max	pt	5.98	Dimilin 2L	oz	1.66
Roundup Ultra MAX	pt	6.84	Dipel DF	lb	10.06
Roundup Ultra Dry	lb	8.51	Dipel ES	pt	6.27
Roundup WeatherMax	oz	0.45	Force 3G	lb	4.42
Scepter 70 DG	oz	3.53	Furadan 4F	pt	9.65
Select 2EC	oz	1.48	Fury 1.5 EC	oz	1.30
Sencor 4F	pt	12.15	Gaucha 480	oz	10.64
Sencor DF	lb	20.06	Intrepid 2F	oz	1.78
Squadron CE	pt	4.58	Intruder 70WP	oz	8.00
Stam 4E	qt	7.86	Karate Z	oz	2.88
Stam 80 EDF	lb	4.20	Lannate LV	pt	6.96
Staple 85%	oz	18.70	Lannate SP	oz	1.26
Staple Plus	oz	8.93	Larvin 3.2	oz	0.47
Steadfast	oz	20.81	Leverage 2.7	oz	2.99
Storm	pt	10.50	Lorsban 15G	lb	1.74
Strongarm	oz	43.29	Lorsban 4E	pt	4.77
Superwham	qt	5.75	Malathion 57EC	pt	3.05
Suprend	lb	9.45	Malathion 8E	pt	3.47
Surpass 20G	lb	2.26	Malathion ULV	pt	3.62
Surpass EC	qt	18.22	Mepichlor 4.2% Liq	pt	7.35
Touchdown	qt	9.32	Methyl Parathion	pt	3.67
Touchdown 4 IQ	pt	3.91	Monitor 4	pt	11.27
Treflan HFP	pt	3.19	Monitor 4	pt	11.27
Treflan TR-10	lb	0.89	Mustang Max	oz	1.61
Trifluralin 4EC	pt	2.11	Orthene 90S	lb	9.84
Trilin 4EC	pt	2.12	Orthene 97	lb	12.26
Typhoon	qt	13.13	Penncap M	pt	3.47
Valor WP	oz	4.38	Phaser 3E	qt	8.13
Whip 360	pt	22.99	Pounce 25WP	lb	10.73
Zorial Rapid 80DF	lb	14.29	Pounce 3.2 EC	oz	1.05
			Provado 1.6F	oz	3.81
INSECTICIDES			Sevin 80S	lb	5.29
Acephate 90SP	lb	8.92	Sevin XLR Plus	qt	7.42
Admire 2 Flowable	oz	4.54	Spintor 2SC	oz	4.30
Ammo 2.5 EC	oz	1.09	Steward	pt	19.88
Asana .66 XL	oz	0.71	Temik 15G Grit	lb	3.51
Aztec 2.1% G	lb	2.41	Thimet 20-G	lb	2.50
Baythroid 2	oz	2.67	Thionex 3EC	pt	3.78
Bidrin 8L	oz	0.70	Thionex 50W	lb	6.71
Capture 2EC	oz	3.25	Tracer	oz	6.05
Centric 40WG	oz	4.48	Trimax	oz	5.30

Table 1d: Estimated Prices for Operating Inputs in Louisiana, 2005

Item Name	Unit	Price (\$)	Item Name	Unit	Price (\$)
INSECTICIDES (continued)			SEED/PLANTS		
Vydate C-LV	oz	0.53	Corn Seed Bt	thous	1.60
Warrior Z	oz	2.14	Corn Seed BtRR	thous	1.88
SERVICE FEE			Corn Seed Conv.	thous	1.43
Cotton storage	bale	25.00	Corn Seed RR	thous	1.50
Insect Scouting	acre	9.00	Cotton Seed Bt	thoud	0.30
Module Hauling	bale	5.00	Cotton Seed BtRR	thous	0.33
Rice Consultant	acre	7.00	Cotton Seed Conv.	thous	0.30
Survey & Mark Levees	acre	4.00	Cotton Seed Liberty	thous	0.56
TECHNOLOGY FEE			Cotton Seed RR	thous	0.31
BG Cot Tech Fee	thous	0.57	Rice Clearfield 161	lb	0.45
BG Cot Tech Fee	cap/ac	32.00	Rice Clearfield XL8	lb	3.46
BG II Cot Tech Fee	thous	0.71	Rice Seed (Levees)	lb	0.21
BG II Cot Tech Fee	cap/ac	40.00	Rice Seed Cl (Levees)	lb	0.45
BG II/RR Tech Fee	thous	1.08	Rice Seed Conv.	lb	0.21
BG II/RR Tech Fee	cap/ac	51.00	Rice Seed Hybrid	lb	2.75
BG/RR Cot Tech Fee	thous	0.93	SC Cultured seedcane	acre	460.00
BG/RR Cot Tech Fee	cap/ac	43.00	Sorghum Concept	lb	1.32
Eradication Fee	acre	6.00	Sorghum NonConcept	lb	1.20
RR Cotton Tech Fee	thous	0.32	Soybean Seed Private	lb	0.38
RR Cotton Tech Fee	cap/ac	14.50	Soybean Seed RR	lb	0.56
			Wheat Seed Private	lb	0.39

FORESTRY

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LOUISIANA SITUATION AND OUTLOOK

The projected Louisiana gross farm value of forest products increased substantially in 2004. The 2004 total sawlog harvest increased by almost 500 million board feet (36.44%) to a cut of 1,613,785,576 board feet. The estimated pine sawtimber harvest increased by 36.44% to a total statewide harvest of 1,454,978,670 board feet. The hardwood sawtimber harvest increased to 158,806,906 board feet (a 36.43% increase) in 2004. Pine chip-n-saw harvested in 2004 totaled 1,478,988 cords, an increase of more than 59% from 2002 totals. In some ways, this represents a return to higher harvests that were seen in the early to mid 1990s. Some of the reasons for this may include increased harvests resulting from timberland buyouts. In some cases, the purchasing companies may have increased harvests to help pay off debt related to the buyouts. The weaker dollar could also be having an impact on improving the export situation for southern wood supplies. Finally, interest rates, though they are beginning to show some upward pressure, remained relatively low in 2004 and this helped continue strong housing markets in the South.

The estimated 2004 Louisiana pulpwood harvest was 6,995,793 cords, up 1,735,817 cords (28.33%) from 2003. Pine pulpwood harvest increased 30.39%, from 3,895,712 cords in 2003 to 5,291,690 cords in 2004. Hardwood pulpwood harvest increased by 339,839 cords (22.15%), from 1,364,274 cords in 2003 to 1,704,103 cords in 2004.

Stumpage prices for 2004 were mixed when compared to 2003. On average around the state, pine sawtimber prices were 6% higher in 2004. Oak sawtimber prices were 4% lower on average around the state in 2004. Average pine pulpwood prices decreased by 13% statewide in 2004, reversing a 19% increase seen in 2003. Hardwood

pulpwood prices decreased an average of 22% around the state in 2004, virtually eliminating a 23% gain seen in 2003. Chip-n-saw prices increased 15% on average in Louisiana in 2004.

With wood-using industries and commercial timber harvesting activities occurring in all parishes, forestry provides benefits to both urban and rural areas. In 2004, Louisiana's private forest landowners received an estimated \$796,415,421 from the sale of forest timber, up 39% from \$536,706,681 in 2003. Timber harvesting contractors and their employees earned \$565,514,541 from harvesting the trees and moving wood to mills. This total was up 30.04% from \$417,816,083 in 2003. This income is re-spent many times throughout the economy. In addition, Christmas tree growers received \$1.1 million from the sale of trees. Louisiana-produced pine straw sales made \$89,740 in 2004. Louisiana's private sector forest tree seedling nurseries produced a crop worth \$580,125 in 2004.

The payroll and income derived from money generated by the forestry and wood products industry totaled an estimated \$5.3 billion in 2004, a 35.12% increase from 2003 totals. The gross farm income produced by all forestry-related products such as timber, pine straw and Christmas trees totaled \$1,363,709,027 in 2004, up 35% from \$956,351,993 generated in 2003. The value added through further processing and delivery was \$3,913,844,908, up 35% from the 2003 value added of \$2,744,730,221. Total value (gross farm value plus value added) increased significantly in 2004, mainly because of much higher harvest volumes combined with slightly improved prices for pine sawtimber and chip-n-saw.

For 2005, trends should continue to be mainly the same. Stumpage prices are near 5-year highs in the South; however, Timber Mart South reports that pine prices are a little softer for Louisiana. Pine pulpwood prices are down slightly. Hardwood sawtimber prices ticked up for a South-wide average toward the end of 2004. Hardwood pulpwood prices that had seen some

increase in 2002 and 2003 have recently dipped back down close to 2001 levels.

Timber Mart South reports that the American Forest and Paper Association states that U.S. wood pulp production through November 2004 was up 2.3% compared to 2003, and pulp imports were down about 1% and exports were up 8%. Paper and paperboard production was up 3.4%. U.S. exports of softwood plywood, however, declined from 438,565 thousand square feet to 409,987 square feet, as reported by Wood Markets Monthly. U.S. oriented strand board exports for the same period declined from 197,704 thousand square feet to 169,413 square feet. Meanwhile, plywood imports increased from 907,310 thousand square feet to 1,305,880 square feet and OSB imports increased from 8,471,240 thousand square foot to 9,090,940 thousand square feet.

For U.S. softwood lumber imports, imports from Canada and Mexico had increased from 2003 (June year to date) to 2004 (June year to date), from a total of 9,427 million board feet to 10,107 million board feet. For that same period, imports as a %age of total U.S. consumption increased from 37.4% to 38.2%. Canadian softwood lumber imports as a %age of U.S.

consumption, however, have declined by 2.2%. This decline is evidence that the tariffs and duties placed on the Canadians by the United States have had some effect; however, it is more than being made up by high demand for softwood lumber in the United States combined with a greater willingness of other countries to supply more softwood lumber to the United States, despite a weakening dollar.

Timber Mart South cites the National Association of Home Builders, which expects housing starts to flatten out in 2005 to somewhere close to 2003 levels, which were approximately 1.7 million starts for the United States. Part of this slowdown is caused by expectations of higher interest rates in 2005, following the Federal Reserve Board's pronouncement of steady, marked interest rate increases it expects to take. This, combined with the historically unprecedented housing market that has existed over the last 13 years, will act to curtail the market's steady growth. This, in turn, could contribute to a flattening of stumpage prices seen here at home.

COTTON OUTLOOK

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WORLD SITUATION AND OUTLOOK

Global demand for cotton continued to increase in 2004; however, cotton production increased faster than consumption and, as a result, world ending stocks are estimated to be 47.1 million bales, a 12 million bale increase in one year. USDA estimates 2004-05 World production to be 115.6 million bales. This figure is an increase of almost 17% above last year. While production is estimated to be higher in most of the major producing countries, the largest increases occurred in Pakistan, India, the United States and China. It is estimated that China will produce just over 29 million bales in 2004-05 compared to 22.3 million bales in 2003-04. The estimated production of 115.6 million bales combined with the beginning stock of 35.6 gives a world supply of approximately 129.17 million bales.

World consumption of cotton is projected to increase from 2003-04 levels to 104.43 million bales. Even with the increase in consumption, world ending stocks are forecast to increase to about 47.12 million bales, a 15.9 % increase in ending stocks and an end to consecutive years of world stocks declines. The largest changes occurred in China, where production increased almost seven million bales and consumption rose by about 4.5 million bales.

Increased world stocks generally portend lower cotton prices. The expected lower prices, coupled with average weather, are projected to generate a world production of just over 103 million bales in 2005-06. Variations in weather could easily change predicted production by 5% up or down. Expected lower cotton prices will likely continue to support increased demand. Final consumption is likely to increase to about 106 million bales or about a two million bale increase. If this projection is correct, world ending stocks would decrease from 47.1 million bales in 2004-05 to about 44 million bales in 2005-06. This decrease would result in a world stocks-to-use ratio of 42% for 2005-06. The current world situation and outlook are summarized in Table 1.

UNITED STATES SITUATION AND OUTLOOK

Total U.S. production for the 2004-05 cotton crop is estimated by the USDA to be about 23 million bales, a five million bale increase over the 2003-04 crop. Excellent weather in much of the Cotton Belt during the latter part of the growing season offset poor conditions earlier. The USDA estimates domestic use to be approximately 6.2 million bales. This figure is the same amount estimated for the previous year. The domestic apparel industry continues to face increasing competition from imported textiles. Increased production and stability in domestic use will lead to an increase in ending stocks. Current USDA estimates are that ending stocks for the 2004-05 year will be 7.7 million bales. This is a 119% increase in stocks over the 2003-04 level of 3.51 million bales. Exports continue to increase. USDA estimates 2004-05 exports at 12.7 million bales. A summary of data for the current situation in U.S. cotton is shown in Table 2.

Table 1. World Supply and Use of Cotton, 2000-2004.

Item	Marketing Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Supply					
Beginning Stocks	45.57	43.98	48.96	38.27	35.61
Production	88.71	98.77	88.31	94.74	115.64
Imports	26.48	29.66	30.18	33.92	32.91
Disappearance					
Mill Use	92.09	94.53	98.56	98.38	104.43
Exports	25.58	28.88	30.38	32.98	32.60
Unaccounted	-0.57	0.14	0.25	0.04	
Ending Stocks	42.64	48.96	38.27	35.61	47.12
Ending Stocks/use	46.30	51.79	38.83	36.20	45.12
“A” Index	57.12	41.81	55.70	69.13	51.57

Source: World Agricultural Supply/Demand Estimates, USDA, January 12, 2005.

Table 2. United States Supply and Use of Cotton, 2000-2004.

Item	Marketing Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Supply					
Planted Acreage (mil. Ac.)	15.54	15.77	13.96	13.48	13.76
Harvested Acreage (mil. Ac.)	13.10	13.83	12.43	12.00	13.06
Yield (lbs. Lint/ac.)	631	705	665	730	846
Beginning Stocks	3.92	6.00	7.45	5.39	3.51
Production	17.22	20.30	17.21	18.26	23.01
Disappearance					
Mill Use	9.80	7.72	7.27	6.49	6.20
Exports	6.75	11.00	11.90	13.76	12.70
Ending Stocks	3.92	7.45	5.39	3.51	7.70
Stocks/Use Ratio %	38.50	39.70	33.30	17.33	40.74
Average Farm Price (cents/lb)	45.00	29.80	44.50	61.80	48.94

Source: World Agricultural Supply/Demand Estimates, USDA, January 12, 2005.

Projections for the 2005-06 year call for a slight increase in cotton acreage. Consensus is that U.S. cotton acreage will be just over 14 million planted acres in 2005-06. Assuming average yields and abandonment, this acreage would produce just below 20 million bales of cotton, a decrease of only 3% from the 2004-05 cotton crop. Domestic use is projected to remain at current levels and exports are projected to increase slightly, to about 13 million bales. Some industry sources are forecasting slightly higher exports. This level of off-take (19.4 million bales) would result in a slight increase in ending stocks to approximately 8.4 million bales. The continued loss of domestic textile mills will reduce domestic consumption. On the other hand, exports are expected to remain strong. At the mid-point of most current projections for production and use, the U.S. ending stocks-to-use ratio is estimated to be approximately 40.7%.

LOUISIANA SITUATION AND OUTLOOK

Louisiana has experienced lower cotton acreage in recent years. Harvested cotton acreage has decreased from more than one million acres in 1995 to less than 500,000 in 2002. Cotton acreage for 2004 was estimated to be 490,000. While average yields have remained flat to slightly declining in recent times, lint yields for 2004 were 867 pounds per acre. Weather during the growing and harvest seasons was largely responsible for the above-average yield.

Although producers experienced higher than average yields, market prices were lower than expectations. While there were some marketing opportunities at much higher prices in the fall of 2003 and early in 2004, the average market price for the 2004-05 year is likely to be just over 41 cents per pound of lint. Current projections indicate that the world supply of cotton is very high and consumer demand remains strong. The consensus is that the market for cotton will be weak for 2005-06; however, alternative crops for Louisiana cotton producers do not offer better profit potential at this time. These factors will most likely influence planting decisions in 2005, and current projections are that Louisiana

producers will plant more cotton than in 2004. Current expectations are that the increase in Louisiana cotton acreage will be about 20%. Cotton producers planted about 500,000 acres in 2004, and expectations are that planted acres will be 510,000 to 525,000 acres in 2005. Weather during the planting period for corn and cotton will influence final planting decisions. In addition to the weather, the specter of soybean rust will likely influence some producers to consider alternative crops.

MARKETING DECISIONS FOR 2005

Marketing cotton during the 2005-06 marketing year will be challenging. The supply and demand situation points to generally lower prices. In the United States, there is a large amount of cotton held under the Commodity Credit Corporation (CCC) loan program. This may dampen any significant price rallies in the cotton market. Further, cotton in this program is held for a maximum of 10 months and will start coming out of the loan during the summer. This situation would worsen the current weakness in the cotton market. Producers are encouraged by most marketing advisers to look for opportunities to sell equities in cotton placed in CCC loan. While producers are urged by marketing experts to develop a marketing plan and take advantage of price rallies that may occur, the opportunities for such rallies appear limited.

A fundamental change has occurred in the cotton market. Cotton is truly an international commodity. As such, price is determined by world conditions. These conditions include not only supply and demand factors, but policy issues as well. This combination of forces makes for a volatile situation for cotton prices. Domestic producers are increasingly dependent on the international market as illustrated above. The United States now exports twice the amount of cotton used domestically. This dependence on the international market is expected to increase. One important aspect of this market is that it is demanding higher quality than the base grade of 41-34 for U.S. cotton. The market prefers a grade of 31 with a 35 or higher staple length, strength of

at least 28 grams per tex and acceptable micronaire. Therefore, producers should carefully evaluate alternative varieties that are high yielding with desirable lint characteristics.

It is important to be aware of price trends and levels in developing marketing strategies. Given current price levels, it appears likely that producers will receive the maximum counter cyclical payment for the 2005-06 cotton crop. Therefore, it is increasingly important for producers to develop marketing strategies that maximize returns from the market, given the goals and objectives of each individual. With uncertainty in the market, marketing skills will become increasingly important. If individuals are not comfortable marketing their crops, then

outside expertise should be consulted. This could take the form of hiring someone to market your crop or provide marketing advice, or joining some type of marketing association that markets crops for its members. In either case, it is important for individuals to know the basics of supply and demand as well as having some understanding of the technical charts. This information, coupled with a well-developed marketing strategy and plan, will enable individuals to take advantage of pricing opportunities that result from seasonal changes or bad weather during the planting season.

SOYBEAN OUTLOOK

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INTRODUCTION

Record domestic and world soybean production has been the dominant factor facing the soybean market. Soybean production in the United States experienced an extraordinary rebound in supplies from the weather-hampered 2003 production season as near ideal conditions resulted in record yields and record production. Brazil and Argentina are expected to harvest record crops during February through April of 2005. The large spike in soybean production during the 2004-05 marketing year quickly turned what had been a very positive market situation to one that resembles the marketing environment faced in the late 1990s and early 2000s. Despite continued strong world demand for soybean and soybean products, the large increase in supplies and the expected large ending stocks have not only driven prices down from the attractive levels experienced in late spring and early summer of 2004 but also weakened the prospects for prices for the 2005 soybean crop. The other major factor that has caught the attention of the market has been soybean rust. While much speculation has surrounded this issue, there is still a great deal of uncertainty about this disease and exactly what impact it may have on production in 2005.

NATIONAL AND INTERNATIONAL SITUATION

The marketing environment leading up to the 2004 soybean production season was extremely positive. Nearby soybean prices in January 2004 were approaching \$9.00 per bushel, and new crop soybean prices for 2004 production were approaching \$7.00 per bushel. While there were some concerns about the potential for large increases in production in 2004, the consensus was for a continuation of strong prices. Extremely

tight domestic stocks of soybeans coupled with lower-than-expected soybean production in Brazil and Argentina suggested that, without an unprecedented increase in supplies in 2004, prices would remain at attractive levels. Unfortunately, for soybean producers, the one issue that could reverse the existence of stronger prices materialized. Record soybean production in the United States and expansion of production in South America has effectively reversed price prospects for this market in a single year.

Domestically, soybean production experienced a year-to-year increase of nearly 700 million bushels. Strong price prospects in late winter and early spring brought an additional 1.6 million acres into production in 2004 to a record 75.2 million acres. Along with the expansion in acres, extremely favorable growing conditions through much of the Mid-West and other major growing regions resulted in a record yield of 42.5 bushels per acre, 1.1 bushels higher than the previous record in 1994. The result was a record 3.15 million bushels of soybeans produced in the United States.

With the large increase in soybean production, ending stocks for the current 2004-05 marketing year are expected to balloon to 435 million bushels from 112 million bushels in 2003-04. This increase in ending stocks is despite very strong domestic and export demand for soybeans.

Through the first quarter of the 2004-05 marketing year, cumulative export sales of soybeans have outpaced last year's levels by nearly 5%. China continues to be the single largest purchaser of soybeans, purchasing nearly 21% more soybeans than last year and accounting for more than 45% of the soybeans sold thus far in the marketing year. With China making up such a large portion of the U.S. soybean export business and with other customers lagging in soybean purchases, future price trends will depend heavily on China's activity in the market over the next several months. Current expectations are for China to increase total soybean purchases by over 5 million metric tons from the previous year to 22 million metric tons;

however, with higher-than-expected production in China, the current supply and demand situation in China would suggest a total import need of only about 20 million metric tons. A slowdown in total soybean demand by China, along with increased competition from record South American production, have some in the market concerned about export demand falling off in the remainder of the 2004-05 marketing year, as was the case in 2003-04. The counter to this argument is that other U.S. customers like Mexico, Japan and Taiwan have not covered their future soybean needs and will have to increase their purchases to meet their domestic demand.

Domestic soybean crush looks to have rebounded significantly from the summer of 2004, when tight domestic supplies and high soybean prices reduced profit margins and stifled soybean crushings. Monthly soybean crushings in October, November and December of 2004 have been the highest in the last 5 years and have pushed first quarter domestic crush to 457 million bushels, 30 million bushels higher than last year. Despite having to offer higher prices to attract farm sales of soybeans, improved crush margins are expected as the large supplies of soybeans from the 2004 harvest start coming to the market. Along with the larger, cheaper supplies of soybeans, strong demand for soybean meal and oil project very strong domestic crush levels. Soybean meal export demand is running more than 20% higher than last year, while soybean oil export sales are running a whopping 81% higher than last year.

On the world scene, the biggest factor facing the market is South American production. Brazil production is expected to rise by nearly 23% from the previous year, and Argentina is expected to rise by nearly 15%. Both the projections for Brazil and Argentina are based on record yields, however, and, with the completion of harvest still two to three months away, there is still some time for these large production figures to be adjusted. To this point, only minor concerns have emerged in the development of the crop. Soybean rust continues to be an issue, but reports from South America suggest that better management systems

should limit significant yield losses. At this point last year, estimates for South American production had already been dropped significantly as soybean rust continued to develop. While soybean rust is thought to be fairly widespread this year, there have been no indications of significant yield impacts. In fact, current projections for production for both Brazil and Argentina have remained unchanged over the last three months.

Looking at the 2005 growing season, planted acres and the resulting production level are definitely the biggest issues facing the market. Despite the real potential for soybean rust, current projections on 2005 acres suggest relatively minor acreage reductions. With the uncertainty regarding soybean rust and the potential to manage efficiently for the disease, its presence does not seem to be an overriding factor in acreage decisions. Notwithstanding a complete fallout in soybean prices leading into the planting season or a substantial resurgence in corn prices, current projections put soybean acres in the United States down from 500,000 to 1 million acres. Even at a million-acre reduction, soybean acres in the United States would still be in the 74 million acre range. With the large expected ending stocks, that would not seem sufficient enough to spur a significant price increase with an associated downturn in yields.

LOUISIANA SITUATION

As was the case across the United States, higher prices at planting attracted more acres into production in Louisiana. In 2004 soybean acres increased by nearly 500,000, rising from 760,000 acres to 1.1 million acres. Acres may have increased even higher had it not been for much of the state experiencing excessive rains in May and June of 2004. Given the crop stress caused by the excessive moisture and with the decline in prices, the positive tone in the Louisiana soybean industry quickly turned negative.

For many areas in the state, the excessive rains were unfortunately followed by a long period of a total lack of moisture. Adding to that

stress was increased disease and insect pressure. While most of the state experienced some difficulties during the growing season, the southern part was definitely hardest hit. A large number of acres were abandoned as diseases, weather and insects devastated yields. Conversely, the northern part of the state did enjoy generally favorable weather conditions after the difficult start to the growing season even though increased pest pressure likely increased production costs. In all, the state crop is estimated to have averaged 33 bushels per harvested acre, a one-bushel decline from the previous year.

With current new crop soybean prices nearly \$1.50 per bushel lower than the same time last year, it is almost certain that soybean acres in Louisiana will decline in 2005. Along with the lower price prospects, the presence of soybean rust will also likely reduce some acreage. While soybean rust should not be thought of as the end of the industry in Louisiana, it could potentially have a significant impact on some areas. Marginally productive acreage with historical soybean yields of less than 30 bushels per acre will find it extremely difficult to project profitability with the increased costs associated with managing for the disease and with the current depressed price situation. With most of the 500,000 increase in acreage from 2003 to 2004 directly attributable to the strong prices that prevailed at planting last year, it is conceivable, particularly with the threat of rust, that most of those acres will be lost in 2005. That would put soybean acres in Louisiana in 2005 around the 700,000-acre level.

PRICE OUTLOOK

Burdensome supplies and rising stock levels both in the United States and the world have definitely put a much more pessimistic view on price prospects for the 2005 crop year. Despite strong demand, burdensome supplies, both domestically and the world, have placed prices under tremendous pressure and have made it difficult for new crop prices to hold in the low \$5.00 range.

The key to future price movement will hinge on three key factors. The first factor will be demand. Export demand and domestic soybean crush will have to remain favorable for prices to have any chance to remain at current levels. The second factor will be South American production. Without any significant reduction in the current production expectations, it would be virtually impossible to project any major price strengthening over the next several months. The final factor will be acreage in the United States in 2005. While most would project fewer acres in 2005 and therefore lower production, current projections do not place production at low enough levels to drastically alter the ending stocks situation. Ending stocks for the 2005 crop year above the 400 million bushel level suggest prices below \$5.00.

Without a production shortfall in either South America or in the United States, it would be difficult at this time to project a marketing year price for next year above the \$5.00 level. With that said, producers will need to consider the marketing loan program as part of their marketing strategies. In addition, with new crop prices typically highest in the March to May timeframe, producers may want to consider marketing strategies during that timeframe, particularly if prices are able to remain above loan rates.

SUGARCANE OUTLOOK

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NATIONAL SITUATION AND OUTLOOK

U.S. cane sugar production for FY 2005 is projected at 3.438 million short tons, raw value (STRV), about 13% lower than the previous year. Total sugarcane harvested for the 2004 crop was estimated at 29.295 million tons from an estimated total acreage harvested of 952,100 acres. Sugarcane harvested acreage was down in 2004 in both major production states of Florida and Louisiana. The U.S. average sugarcane yield was estimated at 30.8 tons per acre, down for the second year in a row.

U.S. sugarbeet acres planted for FY 2005 (2004 crop year) were estimated at 1.346 million acres, down about 1.4% from the previous year. The national sugarbeet was estimated at 22.9 tons per acre, up slightly from 22.7 tons in 2003. Sugarbeet production was forecast at 29.932 million tons, down 2.5% from last year. Beet processors' forecast of FY 2005 beet sugar production is 4.705 million short tons, raw value (STRV), an increase of 0.3% over the previous year.

FY 2005 sugarcane and sugarbeet harvested acreage were affected by the marketing allotments in effect for the 2004 crop (FY 2005). On July 16, 2004, the USDA set the Overall Allotment Quantity (OAQ) for sugar marketing allotments at 8.100 million STRV. This allotment quantity represents the quantity of beet and cane sugar allowed to be marketed in FY 2005. This overall allotment quantity was split between the beet states (54.35%) and cane states (45.65%) as stated in the 2002 Farm Bill. As a result, beet states were allocated 4.402 million STRV and cane states were allocated 3.698 STRV. After a reassignment of Puerto Rico's allotment quantity, Louisiana was allocated a total marketing allotment of 1,404,987 pounds of

sugar for FY 2005. This allotment was then allocated to each of the factories processing sugarcane in the state.

The January 2005 WASDE report shows total U.S. supply of sugar at 11.679 million STRV. This total sugar supply was comprised of 1.897 million STRV in beginning stocks, 8.143 STRV of production and an estimated import level of 1.639 million STRV. This U.S. sugar supply level is about 3.2% lower than a year earlier.

On the demand side, sugar use is projected to decrease slightly in FY 2005. Total U.S. sugar use for FY 2005 is projected at 10.105 million STRV, down 0.4% from a year earlier. Total domestic use of sugar is projected up slightly, at 9.905 million STRV. Domestic food use is forecast at 9.715 million STRV.

Ending stocks for the current fiscal year (FY 2005) are expected to be down substantially, primarily the result of decreased cane sugar production. The January WASDE report estimated U.S. ending sugar stocks at 1.574 million STRV, down 17.0% from the previous year. These projected ending stock levels result in a stocks-to-use ratio of 15.6%, down from 18.6% in FY 2004.

PRICE OUTLOOK

Raw sugar prices during the 2004 calendar year fluctuated around the 20.5 cent per pound level and were generally about one cent below 2003 prices throughout the year. U.S. raw sugar prices averaged 20.54 cents per pound in January 2004 and increased to 20.88 cents in April; however, prices softened over the summer, decreasing to 20.10 cents by August. Raw sugar prices did improve slightly during the fall of 2004 as a result of lower cane sugar production, but were still below 21.0 cents per pound.

U.S. raw sugar prices for 2005 delivery are depressed primarily because of the relatively large quantities of blocked stocks of beet sugar. U.S. futures prices (No. 14 New York) for March

and May 2005 delivery are trading at less than 20.6 cents. July, September and November 2005 prices are in the 20.9 cents per pound range.

LOUISIANA SITUATION AND OUTLOOK

In 2004, 718 sugarcane growers (a decrease of 15 growers or 2.0%) in 24 Louisiana parishes grew sugarcane on 461,738 acres (a decrease of 18,947 acres or 3.9% when compared to the 2003 crop). An estimated 424,799 acres were harvested for sugar (assuming 8% of the total acres were used for seed cane purposes), with a total production of 1,174,028 short tons of sugar (a decrease of 230,518 short tons or 16.4%). Sugar produced per harvested acre was 5,527 pounds (a decrease of 13.0%), and sugar produced per total acre (including acres used for seed cane purposes) was 5,085 pounds (a decrease of 13.0%). The 15 factories reported an average recovery of 204 pounds of sugar (96 pol) per gross ton of cane processed (a decrease of 8 pounds/ton or 3.8%). Accordingly, the average field yield would be approximately 24.9 tons per total acre (a decrease of 2.7 tons or 9.8%) and 27.0 tons per harvested acre (a decrease of 3 tons or 10%). The gross farm value of \$305,416,271 for sugar and molasses (a decrease of \$48,950,685 or 13.8%), as reported in the crop production statistics, is 60% of the value of the sugar and 50% of the value of the molasses produced, with the remaining percentage going to processing and marketing.

The total acreage reported, 461,738 acres, for 2004 is the smallest area grown for sugar since the 1999 crop year when 463,000 acres were grown. Louisiana produced a record crop in 1999 of more than 1,675,000 tons of sugar (Raw Value). Many growers were, undoubtedly, worried about marketing allotments and Proportionate Shares, and they chose to reduce their acres voluntarily. Further, many growers had to plow under unproductive fields in the spring of 2004 that were previously affected by harvesting equipment during the 2002 crop year because of the persistent wet weather.

Approximately 91% of the 2004 crop was planted to one variety, LCP 85-384, a new record for a single variety in modern history. Further, 47% of the 2004 crop was in second and older stubble that had been harvested during the 2002 harvest as plant-cane and first and older stubble. Even the first-stubble crop for 2004 was affected by the wet weather of 2002, because many growers were not able to plant their full complement of cane. The 2004 crop year was one of contrast as well, with above-normal average rainfall and below-normal average temperatures in April and May and below-normal average rainfall during the summer. This weather pattern was followed up by an unusually warm October and November with both temperatures and rainfall well above normal. Excessive rainfall occurred with the passage of Tropical Storm Matthew just as the 2004 harvest season got under way, causing many factories to delay their start because of wet field conditions. Rainfall again caused wet field conditions toward the end of November and for most of December. For those growers able to harvest before Tropical Storm Matthew, the yield of sugar per ton of cane was generally excellent, especially where the chemical ripener glyphosate had been used. For most growers, however, the excellent sugar yields were offset by extremely low field yields, especially in their older stubble fields.

Because of the relatively mild winter, there was good early growth of the crop. In many cases, numerous growers decided to begin their fertilizer programs earlier than normal; however, excessive rainfall occurred in April with the rainy pattern extending into May. Water table remained high, and the crop did not respond well to added fertilizer. In several instances, growers fertilized a portion of their crops a second time because they felt that much of their nitrogen fertilizer had been lost to the excessive rainfall and high water table. Early growth measurements, however, were good in many areas. Then in June, the weather pattern changed, and little or no rainfall occurred for an 8- to 10-week period or more. With the excessive early rain, most of the sugarcane roots could be found just under the surface of the soil. Once the soil dried out with the onset of the drought, sugarcane growth decreased dramatically because

the roots could not find available water. During the grand growth phase, which normally occurs in June, July and August, it is not uncommon to have sugarcane grow at a rate exceeding 1 inch per day. However, because of the mid-summer drought, there were instances in the western sugarcane area where the growth rate was less than an inch per week. Further, it was noted that along with the earlier high rainfall and low temperatures, many fields, especially those fertilized early, were severely affected by rust, which lasted well into the summer. Then with September rain and warmer than normal temperatures in October and November, the cane returned to a vegetative state. Without glyphosate, this cane did not mature as expected, with lower than anticipated yield of recoverable sugar per ton of cane throughout the harvest. Further, it was noted that the cane in many fields had a dark green appearance as if fertilizer had just been applied. In those fields with available nitrogen and with lodged cane, water suckers ('bull shoots') were present that, undoubtedly, contributed to low sugar yields late in the season.

Because of the low field yields, especially in older stubble, many growers reverted to harvesting by a whole-stalk machine in an effort to reduce cost of harvesting. In many instances, field yields did not improve significantly in the first-stubble or plant-cane crops. It appeared that LCP 85-384 did not perform very well across the state; however, it is known that LCP 85-384 does not perform well with a high water table nor does it yield to its potential under drought conditions. However, field yields of HoCP 85-845, HoCP 91-555 and HoCP 96-540 appeared superior to those of LCP 85-384 when grown under similar conditions and crop year. Growers were likewise pleased with the appearance of the two new varieties, L 97-128 and Ho 95-988.

RICE OUTLOOK

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INTRODUCTION

Larger supplies and lower prices characterize the domestic rice market, while tightening supplies and strengthening prices characterize the international market in 2005. Total U.S. rice supplies for the market year (August-July) 2004-05 are projected at 265.8 million hundredweight (cwt), an increase of 10% from a year earlier. Although the beginning stocks of 23.7 million cwt were 12% lower than a year earlier, the record rough rice crop of 227.7 million cwt resulted in a large total supply equal to the level of 2002/03. The record crop of 227.7 million cwt is 14% larger than last year, a result of larger area and record yield.

Global rice production in 2004-05 is projected at 398.1 million tons; however, production still remains below the 1999-2000 record of 408.7 million tons. Global consumption is projected at 411.9 million tons. The 2004-05 crop year is the fourth consecutive year in a row that global consumption is higher than global production. Global ending stocks for 2004-05 are projected at 71.8 million tons, 16% below last year, and the fourth consecutive year of declining global stocks.

UNITED STATES SITUATION AND OUTLOOK

U.S. rice supplies are projected to increase 10% in 2004-05 to a record 265.8 million hundredweight, as a record harvest more than offsets a smaller carrying and a decline in imports. Long grain supplies are projected at 187.5 million cwt, up 7% from a year earlier. Combined medium/short grain supplies are projected at 77.4 million cwt, an increase of 17% and the largest since 1983-84.

At 23.7 million cwt, beginning stocks of all rice are nearly 12% below a year earlier and the smallest since 1999-2000. Arkansas accounts for the bulk of the decline in beginning stocks in 2004-05. Imports are projected at 14.5 million cwt, 7% smaller than the year earlier record. Medium/short grain accounts for the entire projected decline in 2004-05 U.S. rice imports.

The 2004-05 U.S. rice crop is forecast at a record 227.65 million cwt, up 14% from a year earlier, a result of both increased plantings and a record yield. At 3.36 million acres, rice plantings are up more than 11% from a year earlier and the largest since 1999-2000. The average yield is projected at 6,828 pounds per acre, up 3% from a year earlier and the fifth consecutive year of a record U.S. average field yield. Production is projected to be larger in 2004-05 for all three classes of U.S. rice -- long, medium and short grain.

Rice acreage is projected larger in 2004-05 in all reporting U.S. rice-growing states except Mississippi, where area is virtually unchanged from a year earlier. Arkansas, California and Louisiana account for the bulk of this year's 11% increase in total rice harvested area, with California's plantings one of the largest on record. Strong prices at planting were behind the 2004 U.S. rice area expansion. Field yields are projected higher for all reporting states in 2004 except Louisiana and Texas, with record yields projected for Arkansas, Mississippi and Missouri.

Total U.S. rice use in 2004-05 is projected at 224 million cwt, up 3% from a year earlier and the second highest on record. Domestic use accounts for the bulk of the increase. Total domestic and residual use is projected to increase more than 4% to 119 million cwt. U.S. rice exports in 2004-05 are projected at 105 million cwt, up 1% from a year earlier. Exports are second only to the record 124.6 million cwt shipped in 2002-03. Record supplies and a much smaller price difference over Asian competitors are behind projections for increased U.S. rice exports in 2004-05. U.S. rough rice exports are projected at 32 million cwt, down 7% from last

year and more than 25% below the 2002-03 record. Brazil accounts for most of the expected decline in U.S. rough rice exports in 2004-05.

U.S. ending stocks of all rice for 2004-05 are projected at 41.8 million cwt, up 77% from a year earlier and the largest since 1986-87. A 3% increase in total use is projected to more than offset a 10% boost in total supplies. A carryover of this magnitude will keep U.S. rice prices under substantial downward pressure for the remainder of the 2004-05 marketing year. The resulting stocks-to-use ratio is projected at 18.7%, up from 10.9% a year earlier and the highest since 1992-93.

The 2004-05 U.S. season-average farm price (SAFP) is projected at \$7.00 to \$7.50 per cwt, compared with \$7.49 a year earlier. The 2003-04 SAFP was up 67% from a year earlier and the highest since 1998-99. The price strength in 2003-04 was the result of a 9% decrease in U.S. supplies and slightly higher global trading prices. In 2004-05, downward price pressure from a bumper crop and record U.S. supplies will be somewhat offset by another year of stronger global trading prices. In 2004-05, the combination of tighter world rice supplies and higher prices for Thailand's intervention purchases of rough rice from its growers are expected to push global trading prices higher than a year earlier.

WORLD SITUATION AND OUTLOOK

World rice production is projected at 398.3 million tons in 2004-05, up 2% from a year earlier, but still 3% below the 1999-2000 record of 408.7 million tons. China accounts for the largest share of the 2004-05 expansion in global rice production. Despite the larger production, global rice suppliers are projected to decline 3% in 2004-05, the third consecutive year of smaller global rice supplies.

Among the major rice exporters, production is projected to be higher in 2004-05 in China, the United States and Pakistan. In contrast, production is projected to decline in Thailand,

Vietnam and India. Among the top Asian rice importers—Indonesia, the Philippines, Malaysia and Bangladesh—only the Philippines is projected to increase production, with a record rice crop forecast. For major non-Asian rice importers, record crops are projected in 2004-05 for Nigeria and Iran. Although Brazil's 2004-05 production is projected to drop 9% from a year-earlier record, supplies are projected to be the highest on record.

World rice consumption is projected at 412.4 million tons in 2004-05, fractionally below the year-earlier record. India accounts for most of the decrease. In addition, rice consumption is projected to slightly decline in 2004-05 in Japan, South Korea and Taiwan—a long-term trend in all three countries, a result of income-driven diet diversification. In contrast, record levels of consumption are projected for China, the Philippines, Bangladesh, Thailand, Vietnam and Brazil. Both Latin America and Sub-Saharan Africa are projected to consume record amounts of rice in 2004-05 as well.

With consumption exceeding production in 2004-05 by 14.1 million tons, global ending stocks are projected to drop nearly 17% to 71.4 million tons. This past year is the fourth consecutive year of declining global ending stocks and the lowest ending stocks since 1983-84. The global stocks-to-use ratio is projected at 17.3%, down from 20.7% a year earlier and the smallest since 1976-77. China accounts for the largest share of this year's expected reduction in global ending stocks. China's ending stocks have declined each year since 1999-2000 and are expected to be the lowest in more than 20 years.

Global rice trade in 2005 is projected to decline 4% from a year earlier, the third consecutive year of declining global rice trade. Rice trade would be the smallest since 2000 and 12% below the 2002 record of 27.8 million tons. Declining Asian imports have accounted for the bulk of the weaker global rice trade since 2004. Record and near-record crops in major importing countries account for the decline in Asian rice imports. In 2005, imports by China, the

Philippines, Saudi Arabia and South Africa are projected to weaken. This decline in imports should be more than offset by larger imports by Indonesia, Nigeria and Turkey. Global rice trade in 2004 is forecast at 25.4 million tons, down almost 8% from 2003. In 2004, weaker imports by Bangladesh, Brazil, Indonesia, Nigeria, the Philippines and Turkey more than offset greater imports by China, markets in the Caribbean, Iraq, Malaysia, Saudi Arabia, South Africa and Sri Lanka. On the export side, big declines in exports from India, China and the United States more than offset record exports from Thailand and larger shipments from Vietnam.

Global trading prices have increased 7% since the start of the 2004-05 marketing year in August and are the highest since March. In mid-November 2004, Thailand's 100% Grade B (FOB vessel, Bangkok) was quoted at \$262 per ton, up \$12-\$15 from a month earlier and \$26 higher than prices quoted in June. The price increases this fall are due to tight exportable supplies in Asia and higher prices for Thailand's intervention purchases of rough rice from its growers. Thailand began its intervention purchases of its 2004 main crop November 1, and purchases will continue through February when the main-crop harvest is over. Quotes for Vietnam's rice have recently increased as well, a result of tight supplies and a full commitment to buyers of its 2004 export quota.

FEED GRAIN OUTLOOK

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INTRODUCTION

Favorable price prospects at planting and less yield variability over the past several years were deciding factors in producers increasing corn acres in 2004 by more than 2 million acres from the previous year. Tight corn stocks both in the United States and in the world coupled with prospects for strong demand during the 2004-05 marketing year created an extremely bullish view for the 2004 crop; however, as was the case in the soybean market, very favorable growing conditions in the United States resulted in unprecedented yields. Record yields and higher acreage generated sharply higher production values. Along with the tremendous increase in domestic production, increased export competition from better-than-expected production levels in competing countries is expected to limit U.S. ability to increase world market share. The end result of these factors has been a dramatic increase in expected corn stocks in the United States and a reversal of what was an extremely positive market view in less than one year.

NATIONAL AND INTERNATIONAL SITUATION

Nearly ideal growing conditions in the major growing areas in the United States resulted in an average yield of 160.4 bushels per acre, an 18-bushel per acre increase over the 2003 growing year. The record setting yields along with the largest planted acreage since the 1985-86 marketing year is expected to generate a record 11.8 billion bushels of corn for the 2004-05 marketing year, a 1.7 million bushel increase. This huge increase in supplies has effectively changed what was a market characterized by extremely tight stocks and strong prices to a

market characterized by burdensome supplies, increased competition and pressured prices.

Despite fewer acres in 2004, grain sorghum production is also expected to increase, thus adding to the pressure of record corn supplies. High soybean and corn prices, along with unfavorable weather at planting, likely contributed to the reduction in sorghum acres in the United States in 2004. Sorghum acres fell by nearly 2 million acres to 7.5 million bushels; however, despite lower acreage, a 17-bushel per acre increase in yields is expected to increase total sorghum production by 53 million bushels over the previous year. While the increase in sorghum production was minor relative to increases experienced in corn production, it does add to the burdensome levels of feed grains that must be used during the 2004-05 marketing year. In addition, with the large corn supplies available, it is difficult to foresee sorghum replacing corn in feed rations and may, therefore, limit total demand for sorghum. This factor will likely push grain sorghum prices back its traditional level of 85% to 90% of the value of corn, unlike recent years in which grain sorghum has sold at a premium to corn prices.

With the large increase in corn and total feed grain supplies, the ability of this market to remain at current levels will hinge on demand. During the first quarter of the 2004-05 marketing year, corn and grain sorghum use has been an accumulation of both positive and negative factors. Domestic corn and grain sorghum use in ethanol production has continued to be extremely strong. Ethanol production has increased in each of the last 5 years and is expected to increase by nearly 2 billion gallons per year, going from 4 billion to 6 billion gallons in the next 18 months to two years. While grain sorghum has recently gained a slightly larger share of the ethanol market, larger supplies of corn are expected to reduce the amount of sorghum going into ethanol production.

While large increases in feed grains used in the ethanol production have definitely been a positive in this market, stagnate feed demand thus

far in the marketing year offers little to alter large supplies and stocks levels. Through the first quarter of the 2004-05 marketing year, corn used in feed and residual use was largely unchanged from the previous marketing year. Despite the lackluster start to feed demand in the 2004-05 marketing year, the USDA still maintains stronger feed demand will prevail. Increases in production in all major livestock sectors along with projections of the index of grain-consuming animals units (GCAU) rising from 89.6 million in 2003-04 to 90 million in 2004-05 are positive signs of increasing feed demand.

With the domestic feed grain use a mix of strong ethanol production and lackluster feed demand, the ability of this market to reduce stocks and spark stronger prices seems to be placed on export demand. With so much of the market's ability to maintain current price levels and to build on current levels hinging on export performance, the market has been extremely sensitive to weekly export sales. Total corn exports are expected to increase by 53 million bushels over the previous year and total 1.95 billion bushels while sorghum exports are expected to fall by over 25 million bushels. The general view in the market regarding exports has been that the United States would increase total world market share as major competing countries had lower exportable levels of corn caused by shortfalls in production. Through the second week of January 2005, however, corn exports are trailing last year's pace by 3.6%; grain sorghum exports have trailed by more than 25%. As the marketing year has progressed, several of the United States' major competitors have experienced increased production prospects that have led to increased expectations regarding their export ability. The extent to which these increased production prospects affect the U.S. competitiveness in the world export market will be a major factor in future price trends.

On the world scene, total coarse grain and corn production is expected to be up sharply. Total coarse grain production is expected to reach 996 million tons, and total world corn production is expected to increase by nearly 80 million

metric tons to slightly over 700 million metric tons. Increased production is expected to decrease world trade by reducing the amount of corn several countries needed to import to meet domestic demand. As a result, world corn stocks are expected to increase for the first time in the last 5 years.

More important than the increase in world corn production, however, is increased production expected in both China and Argentina. Argentina production is expected to increase by more than 4 million metric tons, allowing them to export an additional 3 million metric tons. Likewise, China's production is expected to increase by nearly 13 million metric tons, allowing them to reduce the speed at which their corn stocks have been depleted over the past several years. In addition to improving their domestic supply and demand situations, these increased production prospects will also likely allow China to continue to be active in the world export market, though to a lesser extent than the past 5 years.

With increased production and with concerns over the ability of demand to meet current expectations, ending stocks are expected to increase by 1 billion bushels to 1.96 billion bushels. This level would be the highest stock level since the 1992-93 marketing year. With ending stocks at such high levels, the ability of new crop prices to remain at the low to mid \$2.00 per bushel range has been promising. The ability of prices to remain at current levels as the 2005 crop progresses through the growing year will depend on prospects for total 2005 production levels. While soybean rust has brought thoughts of increased corn acres as producers shift out of soybean production, early indications from the Mid-West do not suggest a major corn acreage increase. With most of the soybean acreage losses concentrated in the South, there are not expectations of large acreage shifts. Therefore, as is the case in soybeans, while corn production should be expected to be lower in 2005 as yields drop back from the record levels in 2004, it is unlikely that production will fall enough given the large stocks levels to sustain corn prices in the mid \$2.00 range.

LOUISIANA SITUATION

Despite a difficult start to the growing season, more favorable conditions later in the season helped yields rebound to generally favorable levels for most corn and grain sorghum producers. Heavy rains in May and June limited corn acreage in Louisiana to 420,000 acres in 2004, down 100,000 from 2003. Along with the unfavorable weather conditions, high soybean and corn prices severely reduced grain sorghum acres as they fell from 170,000 acres in 2003 to 85,000 in 2004. In addition to limiting acreage, excessive moisture during the early stages of plant development likely increased production costs due to high pest pressure and additional nitrogen applications.

With the difficult growing conditions experienced, the consensus around the state was that corn and grain sorghum yields would be down 15% to 20%, but generally favorable weather conditions followed and corn acres rebounded to 133 bushels per acre, only down one bushel from 2004. Therefore, despite the difficult start, corn yields remained fairly strong with the third highest level, following only yields in 2004 and 2001. Grain sorghum yields, however, were not as fortunate, falling 20 bushels per acre from the previous year to 65 bushels per acre. This was a relatively large reduction from the 80 plus bushels averaged over the previous 5 years.

With current new crop corn prices about \$0.60 lower than last year at this time, there is still some debate on how acres will be affected in 2005. In addition to lower feed grain prices, higher fuel and fertilizer costs are expected to influence crop decisions. The lower prices and higher input costs would normally be expected to reduce year-to-year crop acres, but clouding the crop decision process this year may be the presence of soybean rust along with low cotton and soybean prices. When all factors are considered, and given the fact that feed grain acreage was limited because of unfavorable weather in 2004, the current projection is that corn and grain sorghum acreage will likely

increase. Corn acres should increase to 500,000 to 600,000 acre range experienced over the preceding few years and could conceivably rival record levels around 700,000 acres. Grain sorghum, on the other hand, should rebound to average level over the past two years around the 170,000 acres.

PRICE OUTLOOK

Larger stocks levels and rising global coarse grain production will undoubtedly reduce price prospects for feed grains relative to last year. Barring a significant production shortfall in the United States or some other major corn-producing country, domestic and global supplies will likely limit price prospects for the 2005 crop. The question, then, becomes how far prices will fall as compared to 2004 levels. Keep in mind, however, that while domestic and world corn stocks have increased substantially, levels are still historically manageable. Any substantial shortfall in production could stimulate price volatility.

The key to higher prices will depend on ending stocks levels. Current stock levels of 1.9 billion bushels suggest prices at or below the \$2.00 range. The issues that will determine the future direction of ending stocks are demand for the remainder of the 2004-05 marketing year and production levels in 2005. While demand thus far in the marketing year has been a mix of positive and negatives, the current USDA projections still call for increased total use. If demand meets or exceeds these current levels, this should provide support heading into the planting season. The market will then focus on 2005 acreage and expected production. Currently, projections call for largely unchanged acreage in 2005. Assuming a reduction in yields from the record levels experienced in 2004, strong demand should help moderate ending stocks and generate enough support to keep prices in the low \$2.00 range.

WHEAT OUTLOOK

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INTRODUCTION

The prevailing conditions in the wheat market have been a recurring theme. For the past five years, the wheat market has been characterized by lower trending production and lackluster demand. Despite an improving supply situation, the inability for this market to show marked improvement in demand, both domestically and the export market, have really limited price prospects. This prevailing trend was interrupted momentarily during the 2003-04 marketing year when near record yields sharply increased domestic production. Fortunately for the wheat market, however, total wheat demand was able to respond during the 2003-04 marketing year to prevent an explosion in ending stocks.

Looking to the 2004-05 marketing year indicates a trend to lower acreage, lower production and stagnant demand has returned. Unfavorable weather at planting time lowered winter wheat plantings. The weather is expected to reduce total wheat production, too. While lower acreage is expected to reduce total production, generally favorable growing conditions to this point projects relatively strong yields. As a result, while production is expected to fall during the 2004-05 marketing year, it is unlikely that the reduction would lead to drastically improved prices. The chief reason that prices are expected to moderate despite an improving supply situation is that demand is also expected to fall.

NATIONAL AND INTERNATIONAL SITUATION

During the 2004-05 marketing year, total wheat acres are projected at 59.7 million acres, nearly 2 million acres lower than the previous marketing year. While spring wheat plantings

during the 2004-05 marketing year were largely unchanged from the previous year, winter wheat plantings experienced substantial declines. Producers in Texas and Oklahoma planted significantly fewer acres, largely because of wet fall weather. Late cotton harvest and high cattle prices have additional factors for falling acreage.

Despite lower acreage, total production is expected to decrease by less than 200 million bushels to 2.16 billion bushels. Generally, favorable growing conditions during the growing season for spring wheat resulted in higher production for the spring crop. Also, despite the wetter-than-normal start to the winter wheat crop, subsequent generally favorable conditions have resulted in projections of average to better-than-average yields. Across all wheat crops, yields are expected to average 43.2 bushels, down less than one bushel per acre from the previous year.

With the supply situation offering only minor improvement in the overall supply and demand conditions for wheat, future price movement will likely depend on the same issues that have shaped this market the past several years. Domestic use and export demand will likely help determine the direction of price movement from now until the harvest of the winter wheat crop. While domestic food use of wheat is expected to improve slightly from the 2003-04 marketing year, lower seed and feed demand along with lower export prospects leaves total wheat use down nearly 200 million bushels from the previous year.

Domestic seed use is expected to fall by more than 2 million bushels from the previous year because of lower winter wheat plantings. In addition, domestic feed use is expected to fall by more than 10 million bushels from the previous year. Despite increases in production in all major livestock sectors, larger and cheaper supplies of other feed grains are expected to make it increasingly difficult for wheat to make it into feed rations.

After experiencing two consecutive years of exporting less than 1 billion bushels, the 2003-04 marketing year saw exports rebound to 1.16

billion bushels. While exports for the current 2004-05 marketing year have been pegged at the 1 billion bushel level, lackluster exports thus far during the marketing year have brought concerns of meeting these expectations. While exports through November of 2004 were roughly at the same level as the 2003-04 marketing year level, export inspections and outstanding export sales through the end of December have significantly lagged last year's levels. With world competition increased through a rebound in production in major wheat-producing countries, export sales are expected to continue to slow for the remainder of the 2004-05 marketing year.

Adding to the pressure put on prices from the domestic supply and demand situation are the substantial increases to world wheat production expected. World wheat production during the 2004-05 marketing year is expected to increase by nearly 70 million metric tons and is the second largest year-to-year increase in production on record. This tremendous increase in world production should limit the amount of wheat many countries will need to import to meet their own domestic demand, thus reducing total world trade. In addition, much of the large increase in world production is expected for major export competitors of the United States, therefore limiting U.S. competitiveness in the world wheat market.

LOUISIANA SITUATION

Fortunately, for most Louisiana producers, the wheat harvest was essentially over by the time the heavy rains came in late May and early June. While most commodities experienced considerable damage because of the excessive moisture, most of the Louisiana wheat crop came away unscathed. According to the National Agricultural Statistics Service, wheat yields in the state averaged 50 bushels per acre, up roughly 8 bushels per acre from the previous year.

Despite generally favorable yields and weather conditions at planting, winter wheat plantings in Louisiana were projected at 130,000 acres, down from 180,000 acres in the previous

year. Lackluster price prospects were generally viewed as the major reason for less acreage. With concerns of soybean rust and across the board lower commodity prices, wheat acres are projected to increase when planting begins in the fall of 2005.

PRICE OUTLOOK

With lower acreage and production prospects for the 2004-05 marketing year, current new crop prices have held in the low \$3.00 range, more than \$0.80 per bushel lower than last year at this time. Despite projections for lower total wheat demand during the 2004-05 marketing year, lower production levels are expected to increase ending stocks by less than 40 million bushels. While higher than the previous year, ending stocks at 582 million bushels would still be significantly lower than stock levels that prevailed during the 5-year period from 1997-98 to 2001-02 marketing years, which averaged more than 800 million bushels. With largely unchanged ending stocks levels, price prospects for the 2004-05 marketing year remain mainly unchanged from the previous year. Prices should remain in the low to mid \$3.00 per bushel range without a supply side shock.

The ability for this wheat market to meet these price expectations will continue to depend on demand performance. In particular, export demand at the current projection of 1 billion bushel level would be needed to keep prices at these levels. With the winter wheat crop still several months away from being harvested, any production shortfalls could push prices into the upper \$3.00 level. Without these situations, low \$3.00 levels should be expected.

SWEET POTATO OUTLOOK

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NATIONAL SITUATION AND OUTLOOK

The estimated planted sweet potato acreage for 2004 was 97,400 about 1,600 more than a year ago, while the estimated harvested acreage was 93,300 or 2,500 acres less than last year. Production was estimated at 16,399,000 cwt or 32.8 million bushels, up approximately 3% over last year. Approximately 90% of U.S. sweet potato acreage and production occur in North Carolina, Louisiana, Mississippi and California. North Carolina reported a 2,000-acre increase in planted acreage over 2003; Mississippi reported a 2,000-acre increase in planted acreage over 2003; California reported a 700-acre increase in planted acres over 2003, while Louisiana reported 3,000 fewer acres planted in 2004. Changes in the tobacco program could encourage even higher planted acreage in North Carolina. Mississippi continues to increase acreage mainly because North Carolina brokers are selling its crop. The Beauregard when grown in the Mississippi soil looks similar to those grown in Louisiana soils, while in North Carolina Beauregard has somewhat of a russet appearance. Therefore, North Carolina brokers have gone to Mississippi to obtain Beauregards that are similar to Louisiana's in appearance. Louisiana, especially south Louisiana, has experienced only one good production year in the last seven, so the number of producers has been reduced significantly in that part of the state.

LOUISIANA SITUATION AND OUTLOOK

In 2004, Louisiana's growers planted about 16,000 acres of sweet potatoes. This acreage was down about 3,000 acres from 2003. Harvested acres were estimated at 15,500 compared to 18,000 in 2003. Production was estimated at 4.65 million bushels compared to 6.3 million in 2003. The season began with excessive amounts of rain

in May and June. Some areas received more than 30 inches in June. This had a negative impact on the acres planted as well as yield and quality of the crop planted in May and June. The soil compacted and reduced yield as well as quality. The excessive rainfall also limited the number of acres planted. An additional 2,000 acres would likely have been planted had it not been for the excessive rainfall.

After the rains ended in June, a significant amount of acreage was planted in July, which is normally beyond the optimum planting time. Yields from July plantings are generally considerably lower than May and June plantings because of the high day and night time temperatures. Some growers decided not to plant in July, thus accounting for most of the reduction in the state acreage. After the May and June rains stopped, the southern parishes experienced drought conditions, and with little to no irrigation, yields were affected adversely. North Louisiana received fairly regular rainfall during August and produced a fairly good crop, although not an exceptional one. The July and August showers along with the relative cool nights in August allowed the July planting to make a higher than normal yield. Fall rains, however, were excessive and delayed and, in some cases, prevented harvesting. When all things are considered, the 2004 growing season was less than ideal and had a significant impact on acres planted, yield and quality. The amount of the crop in storage is considerably less than last year; most shippers will likely be out by Easter.

A year-round market has developed recently, and brokers are interested in maintaining a year-round supply to meet buyers' needs. There has been an increase in the number of refrigerated storage facilities built or modified in the last few years to help meet the demand for a year-round supply. There seems to be an increase in demand for sweet potatoes packed by count; buyers are asking for a given number of roots per 40-lb. box. This may necessitate the need to modify packing lines to be able to size roots to the desired count.

The number of sweet potato producers in Louisiana is decreasing while the average acreage is increasing. The availability of labor, quality of labor, cost of labor and the hassle of dealing with labor have discouraged some growers to the point that they have gotten out of the sweet potato business. South Louisiana sweet potato producers have experienced six bad years in the last seven. This has resulted in a loss of a significant number of producers in that part of the state. Northeast Louisiana has experienced the loss of a few growers, but proportionally fewer than north Louisiana.

The LSU AgCenter was successful in getting three new herbicides, Valor, Sandea and Dual, and one new insecticide, Capture, labeled for use on sweet potatoes for 2004. The sugarcane beetle pressure was almost insignificant this season. There is some speculation that the excessive rainfall may have had some impact on their mortality. Overall, the insect pressure was considered to be low compared to past years. There has been a switch back to the B-63 Beauregard clone from the B-14 clone.

The outlook for Louisiana is for acreage to remain around 17,000. The price received by grower/shippers has been adequate if yields were satisfactory; however, it appears that the average yield for Louisiana producers is often too low to break even or to make only a small profit. With the cost of sweet potato production ranging from \$1500-\$2500 per acre, it is getting more difficult for growers to obtain crop loans, and many aren't willing to risk the dollars required to produce a crop with the seemingly unstable weather and other factors such as insects that can lead to crop failure.

COMMERCIAL VEGETABLES

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LOUISIANA SITUATION

The Louisiana vegetable industry involves 3,000 growers who produce more than 30 different crops on 9,000 acres for a gross farm value of \$40.9 million. There was little change in the vegetable industry from last year. The leading parish in commercial vegetables is Tangipahoa with a gross farm value of \$8.7 million. Plaquemines is second with a gross farm value of \$7.9 million. The leading vegetable crop is tomatoes with a gross farm value of \$13.9 million followed by watermelons, \$3.8 million; southern peas, \$2.7 million; mustard, \$2.6 million; and okra, \$2.0 million.

Most produce grown in the state is marketed by direct sales either at farmers markets or roadside stands. This method of marketing provides a simple low risk means of marketing where growers can obtain a premium price for their crops. Little change is expected in the commercial vegetable industry in the state in the near future.

Citrus: Citrus was grown on 1,330 acres with a farm value of \$6.3 million. Plaquemines Parish leads citrus production in the state with 1,075 acres with a gross farm value of \$5.0 million. Louisiana citrus is sold on the wholesale markets, fruit stands and roadside stands. Little change is expected in industry next year.

Strawberry: The Louisiana strawberry industry involves 93 producers who grow 405 acres of strawberries for a gross farm value of \$7.1 million. Tangipahoa is the leading parish with 48 producers growing 300 acres of strawberries for a gross farm value of \$5.4 million. Most Louisiana strawberries are marketed through peddlers with some going to wholesale outlets and the balance sold by direct sales at roadside stands and farmers

markets. Average yield in 2004 was near 2,000 flats per acre, an increase of 300 flats/acre from last year. This increase was due to the mild winters. Little change is expected in the strawberry industry.

NATIONAL SITUATION

Nationally, the trend in the produce industry is toward an integrated production and marketing system that is driven by consumer preferences, that uses technology to track demand in real time, is part of a coordinated system and is government (and retailer) regulated. The chain supermarket is handling an increasingly smaller portion of the consumer's food dollar. Consumers continue to change, expecting more and willing to pay more because they have less free time and want more convenience. Produce items that appeal to the senses are items that consumers will buy. Taste is important; price is less important if taste is good. Another way to sell produce items is by providing some form of convenience. Consumers also find there is a decreasing difference between the cost of eating in or out, so the foodservice segment of the industry is growing and handling a larger share of fruits and vegetables.

Improved nutrition and health are benefits of a diet that includes fruits and vegetables. USDA recently released its 2005 Dietary Guidelines for Americans. Under the category of Food Groups To Encourage is the recommendation that consumers should "consume a sufficient amount of fruits and vegetables while staying within energy needs." Two cups of fruit and 2½ cups of vegetables per day are recommended for a reference 2,000-calorie intake. Choose a variety of fruits and vegetables each day, and select from all five vegetable subgroups (dark green, orange, legumes, starchy vegetables and other vegetables) several times a week. These recommendations encourage consumption.

Consumers also are interested safety of food products, including produce. Pesticide residue is one aspect of food safety, and it is an important reason that consumers are interested in organic or reduced-pesticide products. There is a growing

array of products in organic sections in stores. In addition, organic products are increasingly available through health food stores. An example is the rapidly growing chain, Whole Foods, which differentiates itself from other chain stores based on lines of health and organic foods.

In addition, many consumers find that direct markets, including private farmers' markets and stands, publicly supported farmers' markets and other non-grocer channels, are appropriate places to shop for some portion of their fruit and vegetable purchases. They believe direct markets provide better, fresher products at prices probably lower than the retail grocery store, with the additional benefit that the money remains in the local economy. Louisiana growers who are attentive to these trends may find niches in the market that they can profitably serve.

NURSERY CROP OUTLOOK

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NATIONAL SITUATION

Although production of commercial nursery crops (woody ornamentals, floriculture/bedding plants, foliage and fruit/nut trees) continues to increase, farm sales have stagnated in the last year or two, with typical annual projected increases of only 1% to 2%. Still, at the consumer level, there is a general interest in gardening among many age groups. The latest National Gardening Association (NGA) survey indicated that 84 million (of 109 million U.S. households) participated in one or more types of do-it-yourself lawn and garden activities in 2003. This rate has grown about 5% per year for the last five years. These lawn and garden activities usually involve the purchase of products and labor provided by the household. Nationwide, the average spent per household was \$457, a value that has been about the same over the last five years. When multiplied by the total number of households, an estimated \$38.4 billion was spent on do-it-yourself lawn and garden products. Also, value added to the farm product was high. NGA estimated that for every dollar spent on green goods, another \$3 was spent for all other products and supplies.

Total retail sales for do-it-yourself lawn and garden activities have grown at a rate of 5% a year the last five years. In addition, households spent \$31.3 billion for professional lawn and landscape maintenance services, landscape installation and construction, landscape design services and tree care services. Purchases of these services have grown at a rate of 13% per year the last five years. In addition, residential and commercial construction activity has remained strong for several years. The national economy appears to be on a moderate growth path. According to the Commerce Department, GDP – the measure of the value of all goods and services produced within the United States, and

considered the best barometer of the country's economic health -- increased by 4.4 % in 2004, the best since 1999 when the economy grew by 4.5% and up from 3% in 2003. Spending by consumers and businesses propelled this economic growth. The jobs market has been more uneven. For all of 2004, payrolls expanded by 2.2 million, the first annual increase in three years. Continuing high prices for fuel after last year's spike in fuel prices could affect the purchase of discretionary items such as lawn and garden products, as costs of production and transportation are driven higher.

Growers have benefited from consumer demand. From 1995 to 2003, sales of nursery, greenhouse and sod crops by Louisiana growers increased from about \$105 million to about \$122 million, according to Extension Service estimates. Another indicator of growth has been in the services sector. Sales by horticultural services firms, such as landscapers, increased from \$146 million to \$266 million from 1995 to 2001.

According to USDA's Economic Research Service Outlook from September 2004, greenhouse and nursery crops are agriculture's fourth largest crop group based on farm cash receipts; however, growth in cash receipts has been slow recently, growing to \$15.1 billion in 2002, to \$15.2 billion in 2003 and to \$15.3 in 2004. That level, however, was up substantially from a value of just over \$11 billion in 1996. About one-third of that value is floriculture, and the other two-thirds are nursery and other greenhouse crops. The report also notes that the nursery segment, which includes woody plants, has grown modestly, and floriculture has declined slightly. One component of floriculture's decline is the \$1.2 billion of imports in 2003, up from \$530 million in 1990.

LOUISIANA SITUATION

The 2002 and 2003 seasons saw a slight decline in nursery crop sales in Louisiana, but production and sales increased slightly in 2004. The industry here is experiencing trends similar to those seen nationally, with only stagnant

growth the past few years. Total wholesale sales in Louisiana were estimated to be \$115 million in 2004. Late 2004 sales and economic indicators suggest a slight increase in sales may occur in 2005.

Woody ornamentals continue to be responsible for most of the wholesale farm-gate commercial nursery crop value in Louisiana. The LSU AgCenter estimated about \$75 million in woody ornamental production at the wholesale level in 2004, an increase from the past two years. Acreage in container production has increased significantly in the last five years, and acreage in field production has been stagnant or slightly decreased. Major crops are azaleas, hollies, crape myrtles, Indian hawthorns, ground covers and shade/flowering tree species. The number of acres of bigger container sizes is up significantly. Adequate inventory in 1-gallon and 3-gallon woody ornamental material is available, but available inventory at the wholesale level at the end of 2004 was less than at the end of 2003.

Floriculture/bedding plants typically represent about 30% of Louisiana's nursery crop production. About 40% of bedding plant/floriculture crop sales at the wholesale level occur in late winter and early spring. Floricultural crop and bedding plant production (includes poinsettias, garden mums, lantana, impatiens, petunias and periwinkles) increased in 2004, after slight decreases or no growth in 2003 and 2002. The successful sale of this projected increase will depend on the early spring retail sales period. Profit margins for floricultural crops are shrinking.

Foliage plant production in Louisiana has slowed. Most foliage sold at the retail level now is imported from Florida or brought in from Florida by wholesale growers and brokers. Interest in wholesale production of tropical plants, however, has increased recently in Louisiana. While this could fall into the floriculture/bedding plant category, outdoor tropical plants such as gingers, cannas, etc. have increased sales potential. Many greenhouse growers have profitable markets for these products.

Fruit/nut tree production is stable in Louisiana at the wholesale level. A slight increase has occurred in the last several years. Availability of container-grown improved pecan cultivars is significantly below market demand, and opportunities to grow these for wholesale or retail sales are considerable. Also, many new fruit cultivars could be grown to increase market potential.

POULTRY AND EGGS

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NATIONAL SITUATION AND OUTLOOK

Total broiler production for 2004 is estimated to be 34.1 billion pounds, up 4% from 2003. Wholesale price of broilers averaged 74.2 cents per pound, up 12.2 cents per pound from 2003. Total broiler exports for 2004 are estimated to be 8% lower than in 2003. Egg production increased in 2004, and egg prices decreased 6.1 cents per dozen in 2004 (81.8 cents per dozen). Per capita consumption of eggs increased slightly in 2003 (256.7 eggs per person). In 2005, broiler production is expected to increase approximately 3%. Broiler prices are expected to remain the same in 2005. The broiler export market is expected to increase about 9%. Egg production is expected to increase slightly in 2005. Wholesale prices should fall in 2004.

LOUISIANA SITUATION AND OUTLOOK

Almost a billion pounds of broilers were produced in 2004. The gross farm value of broilers was \$744.7 million in 2004. There were 405 broiler producers and 992 egg producers in 2004. Total eggs produced was 13.3 million dozen. Farm value of commercial egg production was \$11.2 million. Broiler production should follow the national outlook in 2005, which should increase. Broiler prices and net returns should remain similar to 2004. Also, wholesale egg prices should decrease compared to the 2004 prices, and production should increase slightly. The number of egg producers should be similar to 2004.

LIVESTOCK OUTLOOK

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NATIONAL OUTLOOK

The outlooks for both beef and pork are generally positive for 2004, with political factors, mainly in the trade area, creating some uncertainty. While both industries have undergone significant structural changes at the national level in recent years, most Louisiana producers have not benefited tremendously from these changes. Most producers continue to receive market level prices, rather than benefiting from higher-than-market prices via alternative marketing mechanisms.

Beef: The outlook for beef for 2005 is confounded by two dominant factors: resumption of beef exports to Japan, South Korea and other traditional importers and resumption of imports of cattle from Canada. Use will be greatly influenced by resumption of exports while supply will likewise be greatly influenced by resumption of imports. Both factors and the timing of their resumption affect the supply and demand fundamentals. Both factors are influenced by science and politics. Which factor (science or politics) has the greater weight is open to debate and is, hence, difficult to forecast.

In January 2005, USDA announced a rule change that will result in the resumption of Canadian live cattle trade. It allows for feeder cattle to be placed in U.S. feedlots under restricted conditions and slaughtered under 30 months of age, and it allows fed cattle under 30 months of age to be imported for immediate slaughter. The rule also provides regulations for importing beef from cattle older than 30 months; however, since the announcement, additional Canadian beef animals have tested positive for BSE and, as a result, U.S. beef cattle producers have asked that the importation of Canadian cattle

not start and that currently imported Canadian beef be stopped.

Also, Japan and the United States are discussing rules under which U.S. beef could be imported into Japan. Agreement has been reached on allowing U.S. meat from animals under 21 months of age to be imported by Japan. Japanese negotiators have indicated that beef from U.S. animals with birth records is acceptable for importation. Currently, large numbers of calves do not have verifiable birth records. For animals without birth records, the current issue is to determine their age accurately. USDA News comments have implied that agreement on age determination methodology is close. Calves with verifiable birth records that can produce beef that will meet export quality standards will have an opportunity for higher prices.

This outlook is based on the current USDA assumptions (January 21, 2005). Because of the uncertainties as to the length of the bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2005 assume a continuation of policies now in place, including the recently announced minimal risk rule. That is, importation of Canadian live fat and feeder cattle will resume March 7 and exports will not increase significantly.

The current supply and demand estimates from the World Agricultural Outlook Board are presented. Current projections (Table 1) for 2005 U.S. beef production are 26,025 million pounds, up from 24,543 million pounds in 2004, but below the record production of 26,238 million pounds in 2003. U.S. pork and broilers are projected to increase production in 2005 from both 2004 and 2003 levels. Total U.S. red meat and poultry production is projected to reach 88,272 million pounds in 2005, up from 85,442 million pounds in 2004 and 85,476 million pounds in 2003.

Beef production is based on the number of cattle slaughtered and average slaughter weights. Total cattle slaughter was down nearly 8 % in

2004, which sharply reduced slaughter plant capacity use. Some major U.S. slaughter plants have reduced operations as a result of not having enough slaughter cattle. Imports of feeder cattle from Mexico have increased about 50% to make up for the reduction in imports from Canada. While numbers slaughtered are down, slaughter weights have increased. Declining wholesale beef prices in late 2004 contributed to sluggish marketing of fed cattle contributing to increased slaughter weights. Also, more fed cattle are being slaughtered, which results in higher average slaughter weights. The increased average slaughter weights have made up for reduced slaughter numbers, resulting in increased beef production for 2005.

United States Meat Supply and Use (Table 3) indicates a January 2005 projection of total beef supply for 2005 at 30,401 million pounds, up from 29,161 million pounds for the December 2004 estimate for 2005. This estimate includes meat from Canadian cattle imported and fed in the United States and imported Canadian beef. Projected imports for 2005 at 3,660 million pounds are only slightly ahead of the estimated 3,592 million pounds to be imported in 2004, but are up from the 3,006 million pounds imported in 2003. Exports are projected to be 640 million pounds for 2005 up from 434 million pounds for 2004, but down substantially from the 2,519 million pounds exported in 2003.

The amount projected available for consumption in 2005 is 29,186 million pounds (or 68.9 pounds retail weight per capita), up from the 27,966 million pounds (65.9 pounds retail weight per capita) for 2004 and 26,999 million pounds (64.9 pounds per capita) for 2003. The resulting increase in domestic beef supply for consumption results in projected annual average Nebraska choice steers prices for 2005 to be in the \$79-\$85 per cwt range as compared to an estimated \$84.75 per cwt for 2004 and \$84.69 per cwt for 2003. This is a 3.2% decline.

If Louisiana feeder cattle prices would decline by the same amount as fed cattle prices and the 2004 average price for a 400-500 pound

calf were \$1.10 a pound, then the expected average price for 2005 would be \$1.065 a pound. This is a \$0.035 a pound price decline or \$15.75 per head value decline.

If exports to Japan and South Korea resume in 2005, the amount of beef to be consumed in the U.S. market will decline. The result will be an increase in producer prices for both fat cattle and feeder cattle. If the result were an increase of 3.5% in price, then the price of a 400-500 pound Louisiana calf would be \$1.139 per pound.

Cow-calf producers have enjoyed profits since 1999. Improved forage conditions and high prices have resulted in lower cull cow slaughter and an increase in retention of heifers to move into the cowherd. Fewer heifers being sold as stockers or feeders will reduce feeder calf supply and support calf prices.

In addition, corn supply is forecast up, resulting in a current price range projection of \$1.80-\$2.10 per bushel. Soybean meal prices are projected to range from \$150 to \$165 per short ton. As a result, feed costs are expected to be lower than in 2004, which will support calf prices.

Demand for beef is very strong domestically. Additional Canadian beef cattle (both fat and/or feeder) imported into the United States would result in a price decline; however, this price decline should not result in a significant decline in profits for Louisiana producers. Significant resumption of exports would reduce U.S. supplies and result in price increases.

The politics and science of BSE-influenced trade will affect Louisiana cattle prices in 2005. The extent of the influence will depend on the amount and timing of the resumption of beef trade with Canada and exports of U.S. beef. Regardless of the resolution of the import/export situation, the current demand and supply fundamentals indicate above long-term average prices for Louisiana calves for 2005.

Pork: The outlook for 2005 U.S. hog production is generally seen as positive, despite relatively high production levels. In 2004, hog inventories grew to their highest levels since 1998, when hog prices took a devastating nosedive during the fall. The problem in 1998 was that hog supply increased to the extent that prices were pushed down to levels that had not been seen in recent history while increases in demand were insufficient to offset the supply effects. Ordinarily, news of increased supply causes concern of lower prices, because economic theory and experience suggest that increases in supply generally lead to decreases in price.

Fortunately for the hog industry, demand for U.S. pork is relatively strong. In 2004, high beef prices helped to strengthen hog prices. Despite the discovery of a dairy cow with BSE in Washington State in December 2003, beef prices have remained relatively strong. With favorable beef prices, conventional economic wisdom suggests that hog prices should continue to be strengthened. In addition to strong demand in the domestic market, the relatively low valued U.S. dollar is causing lower import levels of foreign pork into the United States (though projected to be higher than 2004) and higher export levels of U.S. pork into foreign countries. Furthermore, bans on importation of U.S. beef by a number of countries have led to increased demand for U.S. pork. To sum up, despite a relatively large supply of pork, hog prices should remain relatively strong because of both domestic and foreign demand for pork. The January 21 USDA Livestock, Dairy, and Poultry Outlook states that hog prices (National Base Cost, 51%-52% Lean, Live equivalent) are expected to average \$47 - \$50 per cwt in 2005, only slightly below price levels for 2004. This is about 8% lower than 2004, but 22% above 2003.

Despite a generally positive economic outlook for 2005, Louisiana is not likely to see substantially increased hog production. Despite a physical environment that could support a larger number of hogs and greater hog production in its neighboring states, Louisiana remains a minor player in hog production. Louisiana's December

1, 2004, hog inventory was approximately 16,000, which ranks it 38th in the United States. This number is compared with neighboring states: Arkansas at 330,000, Texas at 980,000 and Mississippi at 315,000. Iowa, by comparison, had more than 16 million hogs in inventory. Perhaps because of the greater prevalence of the raising of hogs for "show pigs." rather than for commercial purposes, Louisiana ranked 47th in pigs produced per litter in 2004, at 7.14, whereas the U.S. average was 8.94. Louisiana's hog industry is not representative of commercial hog production.

An impediment to hog industry growth is the lack of a large slaughter/process firm in the state; any expansion in the industry would likely await a vertical integrator expanding farrowing operations into Louisiana or opening a slaughter/process facility. This would be more likely to play out if the outlook were for several years of higher-than-average prices. Any new commercial hog production firm will have to capture economies of size in the industry, which requires substantial capital investment. One recognizes that newcomers to the industry generally capture these economies of size, while those who do not eventually leave. The rate of exit is high. In 1992, there were fewer than 249,000 hog producers in the United States; by 2003, there were just under 74,000. Thus, we do not expect substantial expansion unless a vertically integrated firm with substantial financial resources is the instigator.

Table 1. U.S. Quarterly Animal Product Production ^{1/}

Year and Quarter	Beef	Pork	^{2/} Red Meat	Broiler	Turkey	^{3/} Total Poultry	Red Meat & Poultry	Egg	Milk
			(million pounds)					(mil. doz.)	(bil. lbs.)
<u>2003</u>									
Annual	26,238	19,945	46,574	32,749	5,650	38,902	85,476	7,273	170.3
<u>2004</u>									
I	5,834	5,130	11,061	8,208	1,302	9,626	20,687	1,816	42.7
II	6,254	4,897	11,238	8,491	1,365	9,982	21,220	1,843	43.7
III	6,360	5,046	11,492	8,834	1,387	10,357	21,849	1,864	42.2
IV	6,095	5,450	11,636	8,550	1,375	10,050	21,686	1,900	42.3
Annual									
Dec Projection	24,423						85,402		
Jan Projection	24,543	20,523	45,427	34,083	5,430	40,015	85,442	7,423	170.9
<u>2005</u>									
I*	6,025	5,250	11,370	8,450	1,285	9,855	21,225	1,850	43.5
II*	6,725	4,950	11,772	8,775	1,380	10,280	22,052	1,875	44.9
III*	6,925	5,050	12,071	9,075	1,400	10,605	22,676	1,885	42.8
IV*	6,350	5,475	11,924	8,825	1,450	10,395	22,319	1,920	42.9
Annual									
Dec Projection	24,775						87,081		
Jan Projection	26,025	20,725	47,137	35,125	5,515	41,135	88,272	7,530	174.1

*Projection.

^{1/} Commercial production for red meats; federally inspected for poultry meats.^{2/} Beef, pork, veal and lamb & mutton. ^{3/} Broilers, turkeys and mature chicken.

Table 2. U.S. Quarterly Prices for Animal Products

Year and Quarter	Choice	Barrows	Broilers <u>3/</u>	Turkeys <u>4/</u>	Eggs <u>5/</u>	Milk <u>6/</u>
	Steers <u>1/</u>	and Gilts <u>2/</u>				
	(dol./cwt)		(cents/lb.)		(cents/doz.)	(dol./cwt)
<u>2003</u>						
Annual	84.69	39.45	62.0	62.1	87.9	12.52
<u>2004</u>						
I	82.16	44.18	73.2	62.1	114.9	14.07
II	88.15	54.91	79.3	66.6	79.7	18.60
III	83.58	56.58	75.7	73.1	66.2	15.47
IV	85.09	54.35	68.3	77.1	68.0	16.03
Annual	84.75	52.51	74.1	69.7	82.2	16.04
<u>2005</u>						
I*	82-86	50-52	70-72	66-68	64-66	15.10-15.50
II*	79-85	50-54	69-75	67-71	58-62	13.35-14.05
III*	77-83	46-50	70-76	69-75	62-68	13.20-14.20
IV*	78-84	40-44	70-76	73-79	67-73	14.30-15.30
Annual						
Dec Projections	82-88					
Jan Projections	79-85	47-50	70-75	69-73	63-67	14.00-14.80

*Projection.

1/ Nebraska, Direct, 1100-1300 lbs. 2/ National Base, Live equiv. 51-52% lean.

3/ Wholesale, 12-city average. 4/ 8-16 lbs, hens, Eastern Region. 5/ Grade A large, New York, volume buyers.

6/ Simple monthly average of prices received by farmers for all milk. May not match reported annual averages.

Table 3. U.S. Meats Supply and Use

Item	Beginning Stocks	<u>1/</u> Production	Imports	Total Supply	Exports	Ending Stocks	Total Use	<u>2/</u> <u>3/</u> Per Capita
(million pounds) <u>4/</u>								
<u>Beef</u>								
'2003	691	26,339	3,006	30,036	2,519	518	26,999	64.9
2004 Estimate	518	24,644	3,562	28,724	434	615	27,675	65.9
2005 Projection Dec:	625	24,876	3,660	29,161	620	575	27,966	65.9
Projection Jan	615	26,126	3,660	30,401	640	575	29,186	68.8
<u>Pork</u>								
'2003	533	19,966	1,185	21,684	1,717	532	19,435	51.8
2004 Estimate	532	20,544	1,111	22,187	2,135	510	19,542	51.6
2005 Projection	510	20,746	1,215	22,471	2,145	520	19,806	51.8
<u>Total Red Meat</u> <u>5/</u>								
'2003	1,238	46,710	4,359	52,307	4,243	1,059	47,005	118.4
2004 Estimate	1,059	45,563	4,855	51,477	2,576	1,133	47,768	119.1
2005 Projection	1,133	47,273	5,065	53,471	2,789	1,104	49,578	122.3
<u>Broilers</u>								
'2003	763	32,399	12	33,173	4,920	608	27,645	81.6
2004 Estimate	608	33,718	27	34,353	4,607	750	28,997	84.7
2005 Projection	750	34,749	28	35,527	4,955	650	29,922	86.6
<u>Turkeys</u>								
'2003	333	5,576	2	5,911	484	354	5,074	17.4
2004 Estimate	354	5,358	4	5,716	440	250	5,027	17.1
2005 Projection	250	5,443	4	5,697	510	250	4,937	16.6
<u>Total Poultry</u> <u>6/</u>								
'2003	1,101	38,477	16	39,595	5,500	966	33,129	100.4
2004 Estimate	966	39,579	34	40,579	5,285	1,004	34,290	102.7
2005 Projection	1,004	40,687	36	41,727	5,705	904	35,118	104.1
<u>Red Meat & Poultry</u>								
'2003	2,339	85,187	4,375	91,902	9,743	2,025	80,134	218.9
2004 Estimate	2,025	85,142	4,889	92,056	7,861	2,137	82,058	221.8
2005 Projection	2,137	87,960	5,101	95,198	8,494	2,008	84,696	226.4

1/ Total including farm production for red meats and poultry, federally inspected plus non-federally inspected, less condemnations.

2/ Pounds, retail-weight basis.

3/ Population source: Dept. of Commerce, Bureau of Economic Analysis.

4/ Carcass weight for red meats and certified ready-to-cook weight for poultry.

5/ Beef, pork, veal, lamb and mutton. 6/ Broilers, turkeys and mature chicken.

DAIRY OUTLOOK

Kurt M. Guidry

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BRIEF OUTLOOK

Fewer cows and improved demand during 2004 led to historically strong farm level milk prices. Despite higher milk production per cow during 2004, lower total cow numbers left total milk production largely unchanged from 2003 levels. With stagnate production, strong fluid milk demand and sharp increases in butter and cheese demand helped prices reach record levels. With strong markets in 2004, the question for the dairy industry is: how long will the ride last? Many market observers expect milk prices in 2005 to be above the five-year average. An inability to quickly ratchet production upward, the closed Canadian border prohibiting an influx of dairy cows, and the renewal of the CWT program that was estimated to remove more than 51,000 cows from the market in 2004 are all positives for prices to remain relatively strong in 2005.

DEMAND SITUATION

While reduced cow numbers and its impact on total milk supplies definitely helped shaped prices for 2004, one major reason for the strong price improvement was a rebound in demand. An improving domestic economy helped spur demand for many dairy products. Commercial disappearance of butter was up nearly 4% in the last half of 2004 as compared to 2003 and disappearance of nonfat dry milk was up nearly 30% during the same time frame. Increases, although smaller, were also seen in the commercial disappearance of cheese in 2004.

With the stronger disappearance experienced in 2004, stocks of several milk producers have been trimmed. Lower stocks, in conjunction with positive demand, are expected to help support prices in the short term until production levels rebound. Also helping the demand situation are tight international dairy markets. With tight world

supplies, a weaker U.S. dollar and strong international demand have increased our competitiveness in the world market. Commercial exports of nonfat dry milk have been very strong and are projected to remain so in 2005. Prospects for cheese exports are less certain because high domestic cheese prices limit the attractiveness of U.S. supplies.

PRODUCTION OUTLOOK

Milk production is expected to continue in its expansionary trend that began in the summer of 2004. The latest estimates on production for 2005 place total milk production at nearly 2% higher than the previous year. While higher milk prices would be expected to result in larger cow numbers and higher production, the consensus is that the ability of the industry to sharply ratchet up production in 2005 will be limited. Tight replacement heifer supplies and the inability to bring cattle in from Canada are expected to limit herd expansion. In addition, growth in milk production per cow is expected to remain rather anemic as production difficulties continue and availability of bovine somatotropin (BST) remains limited.

On the positive side of milk production is the expectation for cheaper feed supplies. Record corn and soybean crops in 2004 should help lower feed prices. With milk prices expected to remain generally strong, the price ratio between milk and concentrate feeds should improve.

Concluding Observations

Milk prices are projected by the USDA to fall to \$13.85 to \$14.65 in 2005 from the near \$16.00 level experienced in 2004. Increased production and a moderation in demand are expected to soften prices in 2005; however, the current projections would still place prices in 2005 at considerably higher levels than those in 2002 and 2003. Much of the direction in prices will hinge on the size and steadiness of the expected expansion in milk production. Demand growth is expected to be only modestly favorable but could pick up if the economy continues to show signs of improvement.

AQUACULTURE OUTLOOK

C. Greg Lutz

Professor (Aquaculture)

SITUATION

Louisiana continues to support one of the most diverse aquaculture industries in the nation, including crawfish, catfish, alligators, oysters, tilapia, baitfish, hybrid striped bass, redbreast, soft-shell crawfish and crabs, ornamental fish, baby turtles and a variety of freshwater game fish. Louisiana's producers continue to lead the nation in crawfish, soft crawfish, oyster, pet turtle and alligator sales, and new species such as saltwater baitfish and cultured corals are being evaluated commercially. In spite of continuing declines in acreage, Louisiana is still the fourth leading state in production of catfish.

OUTLOOK

Catfish: Pond-bank prices for farm-raised catfish gained some strength throughout the industry in 2004, possibly returning to a 4- to 5-year price cycle which reflects, in part, the seasonal availability of fingerlings and average turnover time within production ponds. The preceding cycle, however, was further depressed because of high volumes of imported catfish filets from Vietnam and over-capacity in the processing sector in major producing states such as Mississippi, Arkansas and Alabama. Prices should remain in profitable levels in 2005, as impacts of reduced stocking and feeding industry-wide since 2001 continue to be felt at the processor level. In Louisiana, however, many remaining catfish farms were established years ago as an accessory source of income within diversified family farm operations. This factor is in contrast to typical operations one might find in surrounding states, which are generally much larger and dedicated solely to the production of catfish. Similarly, most remaining Louisiana producers have access to only one processing facility within reasonable distance for marketing purposes, whereas growers in surrounding states may have marketing agreements with as many as

three processors at any given time. Louisiana processors have begun to experience supply problems. This may ultimately threaten their competitive positions and long-term survival in the industry.

Louisiana's catfish acreage and production continue to decrease, being estimated at 7,500 acres and 31.5 million pounds in 2004. Farm gate value actually rose in 2004 because of recovering prices at the pond bank. In Louisiana, continued industry decline has been blamed on an inaccessibility of capital for prospective growers, resulting in an utter absence of new producers entering the industry to replace older growers as they retire or pass away. As established Louisiana growers continue to retire, Louisiana's catfish industry will ultimately cease to exist if programs are not put in place to ensure availability of capital for new acreage and for producers attempting to purchase or lease existing ponds.

Crawfish: Louisiana crawfish acreage, at roughly 118,000 in the 2003-2004 season, was down somewhat from the approximately 130,000 acres in production the previous season. Production was down slightly from the previous year. Many industry observers attribute these decreases to better than normal returns for rice farmers, who often put their lands into crawfish production in years when rice income is depressed. Heavy late-season production across the industry, often with some degree of stunting caused by overcrowding, was attributed to frequent summer and autumn rainfall before the season, allowing for high levels of reproduction. Unfortunately, the processing sector has not rebounded from its collapse several years ago, resulting in fewer marketing channels for smaller crawfish. At season's end, many producers were unable to move small or medium crawfish. Industry must address marketing issues to sustain current and anticipated levels of production, and the newly reorganized Louisiana Crawfish Farmers Association has targeted marketing and public policy as primary areas of focus. Additionally, renewed research and extension efforts are required for the industry to move

forward in a changing economic and regulatory climate.

Alligators: Prices for alligator skins, like farm-raised catfish, tend to be cyclic in nature based on supply and demand. Factors that bolstered prices in recent years may begin to wane somewhat in the near future, but continued economic development in a number of consuming nations, particularly in Asia, may offset these declines to some extent. Prices in 2004 held more or less steady, and no strong trend in prices for the coming year is apparent at this time.

Oysters: Oyster production continued to be important in Louisiana during 2004. Although numbers of oyster producers were estimated to have increased in 2004, yields were off from previous years. Efforts to re-establish the industry within the Chesapeake Bay through the introduction of an exotic species of Asian oyster may ultimately prove successful, altering national supply and demand relationships considerably. These efforts are moving forward and may accelerate in 2005 and 2006. Major Louisiana issues in during 2005 continue to include regulatory constraints, out-of-state marketing issues and the impact of coastal restoration projects on oyster leases.

Pet Turtle Hatchlings: Pet turtle hatchling production experienced considerable market disruptions during 2004. Virtually all hatchlings are exported to markets in Asia and Eastern Europe. While Asian demand continues to grow, uncertainties have arisen concerning several closures of Asian countries to non-native hatchlings, specifically China, and a number of Asian turtle farms have been established in recent years to take advantage of regional demand from grow-out facilities. The 2004 season saw market prices drop dramatically, with many hatchlings remaining unsold at year's end. The outlook for Asian markets is uncertain. Industry survival will depend on finding methods to certify salmonella free hatchlings to FDA satisfaction to re-open domestic markets in the United States

Baitfish: Major expansions remain unlikely because of control of marketing and distribution channels by the industry in Arkansas. Nonetheless, the number of baitfish producers and the farm-gate value of the crop increased in Louisiana, primarily in coastal areas where Extension efforts have allowed producers to adopt improved technology for holding and maintaining live product. Demand and prices may soften throughout 2005 depending on the condition of the economy.

Tilapia: Domestic production is expected to hold steady or increase slightly. The live market, the largest outlet for domestic producers, is not expected to expand as quickly as sales of imported processed products to the foodservice market. Increasing pond production throughout the hemisphere will continue to depress fillet prices, but it should also translate into continued lucrative export markets for high-quality fry and fingerlings.

Soft-shell Crabs: As imports of crabmeat continue to take market share from domestic fishermen, sources of peeler crabs continue to be reduced. In Louisiana, soft-shell crab producers dropped in number by more than 31% in 2004, while production and value dropped by more than 72%. Technology for shedding crabs may eventually be adopted in less-developed countries where peeler crabs are abundantly available.

HUNTING LEASE ENTERPRISES

Donald P. Reed

Associate Professor (Wildlife)

NATIONAL SITUATION AND OUTLOOK

Outdoor recreation has changed dramatically in the United States. Changing land use patterns, the greater abundance of disposable income by many Americans and greater amounts of leisure time have led to tremendous opportunities for hunting leases to provide substantial economic gains to landowners nationwide. In many states, the number of farms is declining while farm size is increasing. Increasing human populations have led to urban sprawl in many parts of our country that has in turn fragmented wildlife habitats. The nationwide slump in many traditional agricultural commodities has made the economic rewards from engaging in hunting lease enterprises more attractive. Numerous federal programs are available through the United State Farm Bill to promote wildlife enhancement and conservation. These same programs, which at one time heavily subsidized crop production, are now providing the means whereby landowners can greatly increase wildlife populations on their lands. These wildlife habitat improvement programs allow landowners to demand higher lease rates for lands under their control.

Private rural lands in the United States make up more than 60% of this country's total land area and cover approximately 1.28 billion acres. Because of the many Farm Bill programs that promote the planting of trees, there has been a trend toward increasing numbers of ownerships and total acreage of private lands in forest cover. Much of this forest cover provides excellent habitat for a wide variety of wildlife species, which in turn provide the opportunity for hunting lease enterprises to become part of a landowners management options.

LOUISIANA SITUATION AND OUTLOOK

Landowners involved in hunting lease enterprises are an important part of the overall wildlife

management program in our state. The habitat improvements implemented on their lands provide target and non-targeted wildlife species with the food and cover necessary for their success. In 2004, some 7,145 individuals leased land and were involved in some form of hunting lease enterprise. They operated 1,797 waterfowl leases and 5,348 upland game leases. Acreage leased for each of these operations was 1,862,681 for waterfowl and 6,107,437 for upland game. Gross farm values were \$54,174,750 for waterfowl leases and \$33,590,903 for upland game leases. Average lease rates were \$5.50 per acre for upland game leases, \$15 per acre for waterfowl leases in coastal areas and \$50 per acre for waterfowl leases in other areas of the state.

Leasing rates varied throughout the state, depending on location, habitat quality and species involved. White-tailed deer was the major game animal for which much of the upland hunting leases were involved. In all parts of the state, price per acre lease rates varied according to the condition and quality of habitat and quality of the deer herd. Bottomland hardwood regions of the state brought the highest lease rates; piney woods or pine-upland hardwood regions brought somewhat lower values. Deer hunting leases ranged from \$30 to \$3 per acre, depending on habitat quality and game abundance in addition to amenities provided and proximity to population centers. Value-added components raised the total economic impact of all hunting leases in the state to \$92 million.

Public demand for hunting leases should continue to drive a strong market. The many new wildlife-related programs that have become an essential part of the new Farm Bill will serve to further the commitment that many Louisiana landowners will make to provide additional habitat to game and non-game species. The wildlife habitat created by these new Farm Bill programs is available for leasing, following established guidelines within a particular program. A competitive market for hunting leases will continue to be the driving force that provides landowners with the potential for significant income gains from this revenue.

RECOMMENDATIONS

Wildlife management is not a one-time endeavor whereby targeted wildlife will continue to benefit from the management performed. Landowners must be aware that because of the successional nature of land management, especially under the climatic conditions of the southeastern United States, constant monitoring must be performed on lands managed. Tree plantings, timber cuttings, disking, mowing and

other habitat manipulation procedures are necessary to steer succession in the direction that benefits the targeted wildlife species. Landowners must be aware of the risks involved in engaging in overly competitive markets for hunting leases whereby local core hunters and outdoor groups are out-bid for hunting leases by wealthier individuals from other areas. A serious threat to sport hunting will emerge if large numbers of individuals who comprise this core support are lost.

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