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Pricing Agricultural Products and Commodities

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Market Report	Yr Ago	4 Wks Ago	10/1599
Livestock and Products, ***Average Prices for Week Ending***			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	$59.44	$66.41	$70.53
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	109.88	86.65	83.88
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	*	89.54	90.87
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	95.28	105.03	109.86
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	29.50	32.25	33.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	*	20.22	28.50
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	110.40	100.25	99.30
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	71.65	72.88	63.37
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	154.67	169.00	155.00
Crops, ***Cash Truck Prices for Date Shown***			
Wheat, No. 1, H.W. Omaha, bu.	3.06	2.90	2.74
Corn, No. 2, Yellow Omaha, bu.	1.89	1.64	1.63
Soybeans, No. 1, Yellow Omaha, bu.	5.36	4.47	4.47
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.23	2.80	2.71
Oats, No. 2, Heavy Sioux City, IA , bu.	*	1.07	1.10
Hay, ***First Day of Week Pile Prices***			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	110.00	92.50	92.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	47.50	32.50	32.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	70.00	*	*

* No market.

The price of corn at most any location is based on the price of *Chicago Board of Trade* corn futures. There, corn is assumed to be #2 yellow and is a *commodity* that is carefully specified as to its quality anywhere in the world.

In the first few years of the 21st Century, which starts in about 70 days, I believe that the focus will start shifting from *commodities* to *products*. Products have distinguishing characteristics. Examples for corn include: yellow for food processing (white or red cobs); traditional # 2 yellow for livestock and poultry feeding; white for the food industry; white or yellow for popping; waxy (100% pure amylopectin starch) and high amylose for starch millers and industrial products; and high lysine or high oil for specialized livestock and poultry rations. Recently, traditional #2 yellow corn has been split into two products based on the presence or absence of Genetically Modified Organisms (GMO).

Oilseeds and other grains are also likely to lose their commodity status. GMO will differentiate soybeans into products, as will varying oil and protein content for selected varieties. Hard white winter wheat may soon compete with hard red winter for bids from millers. Common to all these products is that they have distinguishing characteristics that must be preserved by careful segregation from other products or traditional commodities during production, harvesting, storing and finally transporting the product to the end-use buyer.

While the grain industry has become extremely

efficient in handling and pricing bulk commodities, it is presently not well equipped to handle products. As commodities are broken into products, the costs of maintaining product identity will be increased over those of storing and transporting bulk commodities. Further, there may be differing costs of production for each product.

Thus, it is one thing for a swine producer to ***want*** high lysine corn rather than the traditional #2 yellow. To ***demand*** this product the producer will likely be required to pay a premium over the traditional corn commodity. Japanese brewers and United States pet food manufactures may ***want*** non-GMO corn for beer or cat food but will probably only be able to ***demand*** it by their willingness to pay higher prices. This assumes that the main demand for corn is for livestock feeding where, at present, the presence or absence of GMO is not an issue.

The same concept exists for European buyers of soybeans. Non-GMO soybeans are likely to be priced higher to end-use buyers than GMO soybeans as long as the *demand* for non-GMO soybeans is a small percentage of the market. Yet, if the *demand* for non-GMO soybeans represented the majority of end-use buyers, then non-GMO soybeans would probably become the reference price and GMO soybeans would be discounted in the market.

These points can be generalized. Over the longer term, less desirable products tend to receive a discounted price rather than the more desirable products receiving a premium.

One can speculate on the manner the price signals for products will be passed between the producers and end-use buyers. One possibility would have the end-use buyers providing a pricing grid to potential producers before planting. Such a grid would, for example, list the premiums above traditional #2 yellow corn the buyer was willing to pay for various percentages of oil content. If a producer deemed that those premiums represented an opportunity, the producer might contract with the buyer for a specific number of bushels before any of that high-oil corn was planted. Other pricing systems may be equally likely. However, it is my view that our traditional method of pricing grains and oilseeds will change quickly as buyers become purchasers of products rather than commodities.

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