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Is There a Chance for Crop Prices to Rise?

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Is There a Chance for Crop Prices to Rise?

Market Report	Yr Ago	4 Wks Ago	8/10/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$64.06	\$71.19	\$69.46
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	96.00	96.74	94.12
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	99.11	108.72	106.19
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	99.89	108.19	108.24
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	44.50	49.50	52.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	39.28	40.10	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	124.30	133.70	120.00
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	82.75	58.50	43.00
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	173.00	165.79	148.38
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.75	3.21	3.04
Corn, No. 2, Yellow Omaha, bu	1.41	1.93	1.92
Soybeans, No. 1, Yellow Omaha, bu	4.34	5.04	5.14
Grain Sorghum, No. 2, Yellow Kansas City, cwt	2.70	3.79	3.74
Oats, No. 2, Heavy **Minneapolis, MN, bu	1.18	*	1.52
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	102.50	102.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	67.50	75.00	75.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	75.00	105.00	105.00
* No market.			
** The Sioux City portion of the report has been discontinued - we will be getting oat prices from Minneapolis, MN.			

By the time USDA released its August 10th report, a large portion of the U.S. had already suffered under several days of 95 plus degree weather. Crop conditions tend to deteriorate under these conditions, and several of the hot days are not reflected in the August 10th report.

Corn production is forecast at 9.27 billion bushels, which is down seven percent from last year. Remember, these crop conditions are based on an August 1 date, and will not have the impact of the later days of hot weather in them. Based on the conditions of August 1, yields are now expected to average 133.9 bushels per acre. If this prediction remains true, this would be the lowest production since 1997. Because of delayed and replanted acres the August report had a revised acreage report included. Farmers are now expected to harvest 69.2 million acres of corn, which is down 100,000 acres from the June report, which is also down five percent from last year.

As we look at the August report we must also look ahead to September and beyond. Even as this report was being released, there are predictions that next month's report will have corn production forecasts closer to the 9.1 billion bushel mark. As we try to be more optimistic towards prices we must remember that August weather will play an important part in the direction the market takes. It should also be noted before we get too optimistic, that the 9.27 billion bushels was very much in line with many of the trade guesses.

With soybeans, the report cannot be considered that optimistic. Soybean production is now forecast at a record high of 2.87 billion bushels, up 4 percent from last year and 8 percent from 1999. Soybean yields are expected to average 38.7 bushels per acre, which is up .6 bushels from last year. If this prediction holds true, this will be the third highest yield behind the 38.9 bushels per acre in 1997 and 1998. This report also changed the acreage planted by a



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small amount. Soybean acres are now set at 75.2 million acres, down slightly from the June report, but up about one percent over last year. This places the acres for harvest at a record 74.1 million acres, up 2 percent from 2000.

The wheat report could be considered either neutral to slightly bullish. Even though production is down, the market has known this for quite some time. Consequently, a minor change will not change the price picture much. The good news is that the report is not pessimistic. Right now total production is pegged at 1.90 billion bushels, which is actually up one percent from July, but still down 11 percent from last year. Average yield per acre is now forecast at 40.2 bushels per acre, which is up .2 bushels from July.

Final winter wheat production is now forecast in 1.39 million bushels, which is down 11 percent from last year.

Hard red winter wheat production is now estimated at 796 million bushels. This is up 2 percent from last months estimate. White wheat production fell for the third consecutive month and now totals 204 million bushels. Soft red winter wheat production is estimated at 386

million bushels, and Durum is forecast at 91.8 million bushels.

Other spring wheat total production is estimated at 508 million bushels, of which hard red spring makes up 497 million bushels. This production estimate is 8 percent below 2000.

At this time it would appear that a wait and see attitude for corn and soybean marketing would not be a bad strategy. Before we get too optimistic in our thinking, we must remember that projected carryout on corn will still be around 1.5 billion bushels. This means we will have a more than ample supply of corn for next year.

On the world scene Canada, Australia, China and the EC are having problems, especially with wheat and corn. We have been drawing down the world stocks for three years, thereby tightening the supply. Total grains have declined from 520 million metric tons in 1999/00, 488 million metric tons in 2000/01, to a predicted 438 million metric tons for 2001/02.

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Table 1. USDA Supply/Demand Balance Sheet for Corn - August 10, 2001

	1996-97	1997-98	1998-99	1999-00	Estimated 2000-01	Projected 2001-02
(Million Acres)						
Acres Set-Aside and Diverted	0.0	0.0	0.0	0.0	0.0	0.0
Acres Planted	79.2	79.5	80.2	77.4	79.5	76.1
Acres Harvested	72.6	72.7	72.6	70.5	72.7	69.2
Bu./Harvested Acre	127.1	126.7	134.4	133.8	137.1	133.9
(Million Bushels)						
Beginning Stocks	426	883	1,308	1,787	1,718	2,003
Production	9,233	9,207	9,759	9,431	9,968	9,266
Imports	13	9	19	15	7	15
Total	9,672	10,099	11,086	11,233	11,693	11,284
Supply						
Use:						
Feed and Residual	5,302	5,505	5,472	5,665	5,850	5,775
Food, Seed and Ind. Uses	1,692	1,782	1,846	1,913	1,965	2,050
Total	6,994	7,287	7,318	7,578	7,815	7,825
Domestic						
Exports	1,795	1,504	1,981	1,937	1,875	2,000
Total Use	8,789	8,791	9,299	9,515	9,690	9,825
Ending Stocks	883	1,308	1,787	1,718	2,003	1,459
Ending Stocks, % of Use	10.0	14.9	19.2	18.1	20.7	14.8
Regular Loan Rate	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89	\$1.89
U.S. Season Average Farm Price, \$/Bu.	\$2.71	\$2.43	\$1.94	\$1.82	\$1.85	\$1.90- \$2.30

Source: USDA



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Table 2. USDA Supply/Demand Balance Sheet for Wheat - August 10, 2001

	1996-97	1997-98	1998-99	1999-00	Estimated 2000-01	Projected 2001-02
(Million Acres)						
Acres Set-Aside and Diverted	0.0	0.0	0.0	0.0	0.0	0.0
Acres Planted	75.1	70.4	65.8	62.7	62.5	59.6
Acres Harvested	62.8	62.8	59.0	53.8	53.0	49.3
Bu./Harvested Acre	36.3	39.5	43.2	42.7	41.9	40.2
(Million Bushels)						
Beginning Stocks	376	444	722	946	950	873
Production	2,278	2,481	2,548	2,299	2,223	1,985
Imports	92	95	103	95	90	90
Total	2,746	3,020	3,373	3,340	3,263	2,948
Supply						
Use: Food	891	914	907	925	960	970
Seed	102	92	81	92	80	87
Feed and Residual	308	252	397	283	289	225
Total	1,301	1,258	1,385	1,300	1,329	1,282
Domestic						
Exports	1,001	1,040	1,042	1,090	1,061	1,050
Total Use	2,302	2,298	2,427	2,390	2,390	2,332
Ending Stocks	444	722	946	950	873	616
Ending Stocks, % of Use	19.3	31.4	39.0	39.7	36.5	26.4
Regular Loan Rate	\$2.58	\$2.58	\$2.58	\$2.58	\$2.58	\$2.58
Season Average Farm Price, U.S. \$/Bu.	\$4.30	\$3.38	\$2.65	\$2.48	\$2.62	\$2.70- \$3.30
Michigan \$/Bu.	\$3.91	\$3.26	\$2.33	\$2.15	N/A	N/A

Source: USDA

Table 3. USDA Supply/Demand Balance Sheet for Soybeans - August 10, 2001

	1996-97	1997-98	1998-99	1999-2000	Estimated 2000-01	Projected 2001-02
(Million Acres)						
Acres Planted	64.2	70.0	72.0	73.7	74.5	75.2
Acres Harvested	63.3	69.1	70.4	72.4	72.7	74.1
Bu./Harvested Acre	37.6	38.9	38.9	36.6	38.1	38.7
(Million Bushels)						
Beginning Stocks	183	132	200	348	290	250
Production	2,381	2,689	2,741	2,654	2,770	2,867
Imports	9	5	3	4	3	4
Total	2,573	2,826	2,944	3,006	3,063	3,121
Supply						
Use: Crushings	1,436	1,597	1,590	1,579	1,630	1,655
Exports	882	873	801	973	995	995
Seed, Feed & Residuals	123	156	205	164	188	171
Total Use	2,441	2,626	2,596	2,716	2,813	2,821
Ending Stocks	132	200	348	290	250	300
Ending Stocks, % of Use	5.4	7.6	13.4	10.7	8.9	10.6
Regular Loan Rate	\$4.97	\$5.26	\$5.26	\$5.26	\$5.26	\$5.26
U.S. Season Average Farm Price ,\$/Bu.	\$7.35	\$6.47	\$4.93	\$4.63	\$4.55	\$4.35- \$5.35

Source: USDA