WHY ARE GRAIN PRICES AT A FIVE-YEAR LOW?

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Corn Supply and Demand
Minnesota Corn Prices Received by Farmers, 1990-2014

How did we get here?
U.S. Corn Usage for Ethanol Production, 1980-2014

million bushels

The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor. 2014 tracked closely with the average of crop conditions during the four best years since 1990, as measured by yields vs. trend (9-14% above trend).
Corn Ending Stocks in Weeks of Usage, 1990-2014
Changes in Ending Stocks Drive Changes in Corn Prices, 1990-2014
Changes in Ending Stocks Drive Changes in Corn Prices, 1990-2014

Change in the National Average Corn Price ($/bushel)

Change in US Corn Ending Stocks from Previous Year (million bushels)
Changes in Ending Stocks Drive Changes in Corn Prices, 1990-2014

Change in the National Average Corn Price ($/bushel)

Change in US Corn Ending Stocks from Previous Year (million bushels)

2014/15
Quiz Time!

Was that the second Golden Age of American Agriculture?
The Golden Age of American Agriculture

About the first Golden Age...

• the decade leading up to and during World War I

• “average gross income of farms more than doubled, and the value of these farms more than tripled”

• 1910-1914 became benchmark years for calculating “parity” (price and profit levels on par with the Golden Age)
Iowa corn prices relative to production costs, 1975-2014

USDA/NASS Iowa corn price received by farmers

USDA/ERS estimate of commodity costs, North Central Region (1975-95) and Heartland Region (1998-2014)
Iowa soybean prices relative to production costs, 1975-2014

USDA/NASS Iowa corn price received by farmers

USDA/ERS estimate of commodity costs, North Central Region (1975-95) and Heartland Region (1998-2014)
North Dakota wheat prices relative to production costs, 1975-2014

USDA/NASS North Dakota spring wheat price received by farmers

USDA/ERS estimate of commodity costs, North Central Region (1975-97) and Northern Great Plains Region (1998-2013)
Soybean Supply and Demand
Minnesota Soybean Prices Received by Farmers, 1990-2014

How did we get here?
Chinese Soybean Imports, 1990-2014

million bushels

USDA Foreign Agricultural Service
U.S. Soybean Exports, 1990-2014

million bushels

The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor. 2014 tracked better than the average of crop conditions during the four best years since 1990, as measured by yields vs. trend.
U.S. Soybean Production, 1990-2014

million bushels

U.S. Soybean Ending Stocks, 1990-2014

ending stocks in weeks of usage

USDA


0 2 4 6 8 10 12
Changes in the National Average Soybean Price (%)

Change in US Soybean Ending Stocks from Previous Year (%)
Changes in Ending Stocks and Soybean Prices, 1990-2014

Change in the National Average Soybean Price (%) vs. Change in US Soybean Ending Stocks from Previous Year (%)

- USDA logo
Changes in Ending Stocks and Soybean Prices, 1990-2014

Change in the National Average Soybean Price (%) vs. Change in US Soybean Ending Stocks from Previous Year (%)
Quiz Time!

My students speak!
Quiz Time!

“Professor Usset is a fantastic teacher. He really cares about his students and is passionate about the subject.”
Quiz Time!

“Edward is a great teacher! If he could *make the final exam easier*, the class would be perfect.”
Quiz Time!

“You are one of the best teachers I ever met in my college life. **Come and party with me.**”
Quiz Time!

“The instructor was rather scatter-brained and confused about the content.”
Will prices be higher by spring?
Seasonal Patterns in the National Average Corn Price

1990-2012 average
A typical strategy this fall...

“Prices are low - I’m going to store grain and wait for higher prices.”
Big increases!
Seasonal Patterns in the National Average Corn Price

Since 1990, the price in May was higher than the previous October in 18 of 24 years.

1990-2012 (all years average)
Seasonal Patterns in the National Average Corn Price

Years when ending stocks increase more than two weeks usage from the previous year (1992, 1994, 1996, 1997, 2004)

1990-2012 (all years average)
Since 1990, the price in May was higher than the previous October in 19 of 24 years.
Seasonal Index (Marketing Year Average = 1.0)

Years when ending stocks increase more than two weeks usage from the previous year (1990, 98, 2005)

1990-2012 (all years average)
Summary

1. Why are grain prices at a 4-year low?
2. demand is great, but...
3. supply is greater
4. ending stocks are increasing sharply
5. prices will be slow to recover