Can One Monster Crop End the New Era of Grain Prices?

Scott Irwin, Darrel Good, and John Newton
University of Illinois

2014 Illinois Farm Economics Summit
The Profitability of Illinois Agriculture: Back to the Future?
COMMODITIES

U.S. Corn Prices Fall to Five-Year Low on Higher-than-Expected Supplies
Wheat Prices Also Falling, While Soybeans Are Up


Low corn prices have widespread impact on U.S. agriculture

Christopher Doering, Gannett Washington Bureau 11:20 p.m. CDT August 9, 2014


October 10, 2014  Policy Pennings by Daryll E. Ray & Harwood D. Schaffer

Local corn prices dip below $2 in some areas

Even before the current farm bill was adopted, we shared our concern that a $4 plus plateau in corn prices, which was being widely predicted, was in all likelihood no plateau at all. In our November 15,

http://agpolicy.org/weekcol/741.html
U.S. Corn Prices Fall to Five-Year Low on Higher-than-Expected Supplies
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Low corn prices have widest reach in U.S. agriculture

Christopher Doering, Gannett Washington Bureau


“Uber-Bearish”

October 10, 2014, by Daryll E. Ray & Harwood D. Schaffer

Low $2 in some areas

When the farm bill was adopted, we shared our concern that a $4 plus plateau in corn during 2013, being widely predicted, was in all likelihood no plateau at all. In our November 15,

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Monthly Farm Price of Corn in Illinois, January 1947 - November 2014*

Avg.=$1.28

Avg.=$2.42

Source: NASS/USDA

*November: preliminary
Monthly Farm Price of Corn in Illinois, January 1947 - November 2014 and Projected Future Average*

$4.60 = (2.42) \times (2.42/1.28)$

Source: NASS/USDA

*November: preliminary
4.60 = (2.42 \times \frac{2.42}{1.28})

Monthly Farm Price of Corn in Illinois, January 1947 - November 2014 and Projected Future Range*

- $4.60 (A)
- $6.70 (H)
- $3.00 (L)

*H: High, A: Average, L: Low

Source: NASS/USDA
Monthly Farm Price of Corn in Illinois, January 1947 - November 2014 and Projected Future Range*

$4.60 = (2.42) \times (2.42/1.28)$

*H: High, A: Average, L: Low

Source: NASS/USDA
Monthly Farm Price of Soybeans in Illinois, January 1947 - November 2014 and Projected Future Range*

\[ 11.04 = (4.60) \times (2.4) \]

$18.33 (H)  
$11.04 (A)  
$7.84 (L)  

$11.75  
Avg.$2.63  
Avg.$6.15

*H: High, A: Average, L: Low

Source: NASS/USDA
Monthly Farm Price of Wheat in Illinois, January 1947 - November 2014 and Projected Future Range*

\[ 5.80 = (4.60) \times (1.26) \]

Source: NASS/USDA

*H: High, A: Average, L: Low
Projected Distribution of the Monthly Farm Price of Corn in Illinois during the Old and New Eras

Avg. = $2.42
Projected Distribution of the Monthly Farm Price of Corn in Illinois during the Old and New Eras

- **Old Era**
- **New Era**

**Avg. = $2.42**

**Avg. = $4.60**
Projected Distribution of the Monthly Farm Price of Corn in Illinois during the Old and New Eras

Avg. = $2.42  Avg. = $4.60

Nov. 2014 = $3.40

Old Era  New Era
Projected Distribution of the Monthly Farm Price of Soybeans in Illinois during the Old and New Eras

- Old Era
  - Avg. = $6.15
  - Nov. 2014 = $10.15

- New Era
  - Avg. = $11.04

Price Interval: 4.00, 5.50, 7.00, 8.50, 10.00, 11.50, 13.00, 14.50, 16.00, 17.50
Projected Distribution of the Monthly Farm Price of Wheat in Illinois during the Old and New Eras

- **Old Era**: Avg. = $3.24
- **New Era**: Avg. = $5.80

Nov. 2014 = $4.80
U.S. Corn Use For Ethanol, 2002-03 - 2014-15 Marketing Years*

Source: WASDE/USDA

*2014-15: projected
Chinese Soybean Imports, 2000-01 - 2014-15 Marketing Years*

Source: WASDE/USDA

*2014-15: projected
Deviations from Trend for U.S. Corn Yield, 1960-2014*

Source: NASS/USDA

*2014: Nov. Estimate
Deviations from Trend for U.S. Soybean Yield, 1960-2014*

Source: NASS/USDA

*2014: Nov. Estimate
Deviations from Trend for U.S. All Wheat Yield, 1960-2014

Source: NASS/USDA

Average = $2.42

Source: NASS/USDA
Sequence of Runs Above and Below Average, Monthly Average Farm Price of Corn in Illinois, January 1973 - November 2006

Above Average Prices

Below Average Prices
Sequence of Runs Above and Below Average, Monthly Average Farm Price of Soybeans in Illinois, January 1973 - November 2006

Above Average Prices

Below Average Prices
Monthly Average Farm Price of Corn in Illinois, December 2006 - November 2014*

Expected New Era Average = $4.60

*November: preliminary
Monthly Average Farm Price of Soybeans in Illinois, December 2006 - November 2014*

Expected New Era Average = $11.04

*November: preliminary

Source: NASS/USDA
FAPRI and CME Futures Market Forecasts of U.S. Marketing Year Average Price of Corn as of December 7, 2014

- **2014/15**: FAPRI 3.40, Futures 3.63
- **2015/16**: FAPRI 3.74, Futures 3.99
- **2016/17**: FAPRI 3.98, Futures 4.04
- **2017/18**: FAPRI 4.19, Futures 3.95
- **2018/19**: FAPRI 4.20