Prices have changed so much for what we sell and buy that it is almost impossible to feel confident in the decisions you make.

-- Agriculture Online, July 5, 2008
Monthly Farm Price of Corn in Illinois, January 1947 - November 2008*

*November: mid-month

Avg.=$1.28

Avg.=$2.42

2008 Illinois Farm Economics Summit
Monthly Farm Price of Corn in Illinois, January 1947-November 2008 and Projected Future Range*

Month/Year

Avg.= $1.28

Avg. = $2.42

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

2008 Illinois Farm Economics Summit
Monthly Farm Price of Soybeans in Illinois, January 1947-November 2008 and Projected Future Range*

- High: $17.56
- Average: $2.63
- Low: $7.51

*H: High, A: Average, L: Low
Monthly Farm Price of Wheat in Illinois, January 1947-November 2008 and Projected Future Range*

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

Price ($/bu.)

Month/Year

2008 Illinois Farm Economics Summit
Evidence suggests that prices are likely establishing a higher average

$3 corn, $8 soybeans, and $3.50 wheat are not inconsistent with new price range

Prices can quickly rebound to much higher levels (see 73-75!)

Concern: Long-lasting, world-wide economic contraction

Price ($/cwt.)

Month/Year

Avg.=$19.18

Avg.=$44.74
Weekly Crude Oil Futures Price and Corn Price at Iowa Ethanol Plants, 01/26/07-12/05/08

Crude Oil (left scale)

Corn (right scale)
Relationship Between Nearby Crude Oil Futures Price and Corn Price at Iowa Ethanol Plants, 01/26/08-12/05/08

\[ y = 0.0369x + 1.0025 \]

\[ R^2 = 0.7409 \]
Relationship Between Weekly Crude Oil Futures Price and RBOB Gasoline Futures Price, 01/26/07-12/05/08

\[ y = 0.0212x + 0.4807 \]

\[ R^2 = 0.8508 \]
Weekly RBOB Gasoline Futures Price and Ethanol Price at Iowa Plants, 01/26/07-12/05/08

Gasoline (left scale)

Ethanol (right scale)
Relationship Between Weekly RBOB Gasoline Futures Price and Ethanol Price at Iowa Plants, 01/26/07-12/05/08

\[ y = 0.4484x + 1.0097 \]

\[ R^2 = 0.6274 \]

\[ y = 0.67x + 0.51 \]
Weekly Ethanol and Corn Prices at Iowa Plants, 01/26/07-12/05/08
Relationship between Corn and Ethanol Price at Iowa Plants, 01/26/07-12/05/08

\[ y = 2.6914x - 1.2926 \]

\[ R^2 = 0.6664 \]
Computing the Maximum Price that an Ethanol Processor Can Bid for a Bushel of Corn

Gross Revenue:
Ethanol: $1.50/gal x 2.8 gal./bu. = $4.20/bu.
DDGS: $120/ton/2,000 x 17.75 lbs./bu. = $1.06/bu.
Total $5.26/bu.

Non-Corn Costs
Variable $1.34/bu.
Fixed $0.56/bu.
Total $1.90/bu.

Maximum Bid Price for Corn $3.36/bu.
Weekly Price of Corn and Maximum Bid Price at Iowa Ethanol Plants, 01/26/07-12/05/08
## Fundamental Values Relative to Ethanol

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Ethanol processors are the marginal bidders for corn in the short- to intermediate-run

Volatility in energy markets is transmitted directly into agricultural markets

Each step of the energy chain between crude oil and corn is a source of risk

Energy policies will play a key role in determining ethanol prices in 2009