Farming is Fun!

Scott Irwin
Hometown: Bagley, Iowa

Shoeless Joe Jackson: Is this heaven?
Ray Kinsella: No, it's Iowa.

*Field of Dreams* (1989)
U.S. Farm Income to Reach Record $100.9 Billion, USDA Says

By Alan Bjerga - Nov 29, 2011 12:52 PM CT

Tuesday, September 6, 2011

Corn prices take run at all-time high
by Marlin Clark

Tuesday 02/07/12

It's a Cash Rent Bidding War

A $20,000 per acre farmland sale!
3:40 PM, Dec 7, 2011 | by Dan Piller | Comments
The New Era of Corn, Soybean, and Wheat Prices

Darrel Good and Scott Irwin

September 2, 2008

MOBR 08-04

“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 - December 2011*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Corn in Illinois, January 1947 - December 2011*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Corn in Illinois, January 1947 - December 2011*

Source: NASS/USDA

*December: mid-month
Why A New Era?

- Biofuels demand is the main driver
  - Market component driven by price of crude oil
  - Policy component driven by mandates in US, Canada, EU, Brazil, and Argentina
- Emerging market economic growth and increased demand for improved diets
- US policy of locking away over 30 million acres in Conservation Reserve Program (CRP)
Figure 6: U.S. Acres Required to Produce Ethanol (by-product adjusted) & Chinese Soybean Purchases from the U.S.

Source: FAS (2011) USDA PS&D online database

Source: Abbott, Hurt, and Tyner (2011)
Monthly Farm Price of Corn in Illinois, January 1947 - December 2011*

Avg.=$1.28

Avg.=$2.42

Source: NASS/USDA

*December: mid-month
$4.60 = (2.42) \times (2.42/1.28)$

Monthly Farm Price of Corn in Illinois, January 1947 - December 2011 and Projected Future Average*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Corn in Illinois, January 1947 - December 2011 and Projected Future Range*

4.60 = (2.42)X(2.42/1.28)

Source: NASS/USDA

*H: High, A: Average, L: Low
4.60 = (2.42) \times (2.42/1.28)

Monthly Farm Price of Corn in Illinois, January 1947 - December 2011 and Projected Future Range*

Source: NASS/USDA

*H: High, A: Average, L: Low
Monthly Farm Price of Soybeans in Illinois, December 1947 - November 2011*

Price ($/bu.)

Month/Year

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Soybeans in Illinois, January 1947 - December 2011 and Projected Future Range*

\[ 10.58 = (4.60) \times (2.3) \]

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

Source: NASS/USDA
Monthly Farm Price of Soybeans in Illinois, January 1947 - December 2011 and Projected Future Range* 

$17.56 (H) 
$10.58 (A) 
$7.51 (L) 

Avg.=$2.63 
Avg.=$6.15 

$10.56 

10.58 = (4.60)X(2.3) 

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

Source: NASS/USDA
Monthly Farm Price of Wheat in Illinois, January 1947 - December 2011*

Source: NASS/USDA

*December: mid-month
5.80 = (4.60)X(1.26)

Monthly Farm Price of Wheat in Illinois, January 1947 - December 2011 and Projected Future Range*

$3.30 (L)  
$5.80 (A)  
$10.15 (H)

Avg.=$1.77  
Avg.=$3.24

Source: NASS/USDA

*H: High, A: Average, L: Low
5.80 = (4.60)X(1.26)

Monthly Farm Price of Wheat in Illinois, January 1947 - December 2011 and Projected Future Range*

Price ($/bu.)

$3.30 (L)
$5.80 (A)
$10.15 (H)

Avg.=$1.77
Avg.=$3.24
$5.61

Jan-47 Jan-54 Jan-61 Jan-68 Jan-75 Jan-82 Jan-89 Jan-96 Jan-03 Jan-10

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

Source: NASS/USDA
Monthly Farm Price of Corn in Illinois, January 1947 - December 2011 and Projected Future Range*

Source: NASS/USDA
Projected Distribution of the Monthly Farm Price of Corn in Illinois during the New Era

Avg. = $4.37

Current

18%

10%
Projected Distribution of the Monthly Farm Price of Soybeans in Illinois during the New Era

Avg. =$10.56

Price Interval

Frequency

0% 2% 4% 6% 8% 10% 12% 14% 16% 18%

7 8 9 10 11 12 13 14 15 16 17 18

15% 18%
Projected Distribution of the Monthly Farm Price of Wheat in Illinois during the New Era

Avg. = $5.61

Price Interval

Frequency

18% 14%

Current
<table>
<thead>
<tr>
<th></th>
<th>Low Prices</th>
<th></th>
<th>High Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range</td>
<td>Chance</td>
<td>Range</td>
<td>Chance</td>
</tr>
<tr>
<td>Corn</td>
<td>$3.50 or less</td>
<td>10%</td>
<td>$5.00 or more</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$9.00 or less</td>
<td>15%</td>
<td>$12.50 or more</td>
</tr>
<tr>
<td>Wheat</td>
<td>$4.50 or less</td>
<td>18%</td>
<td>$7.00 or more</td>
</tr>
</tbody>
</table>
Monthly Farm Price of Hogs in Illinois, January 1947 - December 2011*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Hogs in Illinois, January 1947 - December 2011*

Avg.=$19.18 Avg.=$44.74

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Hogs in Illinois, January 1947 - December 2011*

Avg.=$19.18
Avg.=$44.74
$52.31

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Steers and Heifers in Illinois, January 1960 - December 2011*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Steers and Heifers in Illinois, January 1960 - December 2011*

Source: NASS/USDA

*December: mid-month
Monthly Farm Price of Milk in Illinois, January 1960 - December 2011*

Source: NASS/USDA  
*December: mid-month
Monthly Farm Price of Milk in Illinois,
January 1960 - December 2011*

Avg.=$16.06

Source: NASS/USDA

*December: mid-month
Monthly Ratio of Farm Price of Hogs to Farm Price of Corn in Illinois, January 1947 - December 2011*

Source: NASS/USDA

*December: mid-month
Ratio of Monthly Farm Price of Steers and Heifers and Farm Price of Corn in Illinois, January 1960 - December 2011*

*December: mid-month

Avg. = 27.7

Source: NASS/USDA
Ratio of Monthly Farm Price of Milk to Farm Price of Corn in Illinois, January 1960 - December 2011*

Source: NASS/USDA

*December: mid-month

Avg.= 6.0  4.3
<table>
<thead>
<tr>
<th></th>
<th>Hogs</th>
<th>Cattle</th>
<th>Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Era Price Ratio with Corn*</td>
<td>19.1</td>
<td>27.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Price Needed to Restore Ratio based on December 2011 Corn Price</td>
<td>$103/cwt.</td>
<td>$149/cwt.</td>
<td>$33/cwt.</td>
</tr>
<tr>
<td>Price Needed to Restore Ratio based on Average Corn Price in New Era</td>
<td>$83/cwt.</td>
<td>$121/cwt.</td>
<td>$26/cwt.</td>
</tr>
<tr>
<td>December 2011 Price</td>
<td>$64/cwt.</td>
<td>$121/cwt.</td>
<td>$20/cwt.</td>
</tr>
</tbody>
</table>

*For both hogs and cattle, the previous era is January 1973 through September 2006. For milk, the previous period is January 1986 through September 2006.
A New Era in Crop Prices?

In a 2008 report and a 2009 article we addressed the following basic question: Are higher crop prices here to stay? We argued that unfolding evidence suggested that corn, soybean, and wheat prices were indeed likely establishing a higher (nominal) average than previously experienced. Some disagree with this conclusion. We revisit the evidence here to see if the data continues to support our original conclusion.
A New Era in Crop Prices?

In a 2008 report and a 2009 article we addressed the following basic question: Are higher crop prices here to stay? We argued that unfolding evidence suggested that corn, soybean, and wheat prices were indeed likely establishing a higher (nominal) average than previously experienced. Some disagree with this conclusion. We revisit the evidence here to see if the data continues to support our original conclusion.