

Cornhusker Economics

Cooperative Extension

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

Another Bumper Crop on the Way, Now What Do We Do?

Market Report	Yr Ago	4 Wks Ago	8/20/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	81.40	84.54	87.48
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	107.39	138.99	138.99
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	97.39	118.27	121.54
Choice Boxed Beef, 600-750 lb. Carcass	138.51	136.93	140.51
Western Corn Belt Base Hog Price Carcass, Negotiated	52.32	77.21	73.30
Feeder Pigs, National Direct 45 lbs, FOB	22.84	42.78	45.91
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	59.73	78.56	76.83
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	87.50	*	95.50
National Carcass Lamb Cutout, FOB	208.19	226.72	217.15
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.69	3.48	3.22
Corn, No. 2, Yellow Omaha, bu	2.19	2.16	2.28
Soybeans, No. 1, Yellow Omaha, bu	5.99	6.23	6.67
Grain Sorghum, No. 2, Yellow Columbus, cwt	*	3.20	3.27
Oats, No. 2, Heavy Minneapolis, MN, bu	1.57	1.51	1.62
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	*	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	70.00	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	67.50	57.50	57.50
* No market.			

The USDA recently released its August Crop Production Report. All indications are that we will have a huge, almost record breaking crop this year. As we try to develop marketing plans there are certain things that must be taken into consideration: those things that are pretty much fact and those things that may change production numbers.

In making our marketing decisions we need to look at things historically and determine their projected outcome given this year's conditions. Is there anything that will change the production numbers? The one major factor that producers need to watch is what will happen to a significant amount of the corn in North Dakota, Minnesota, Wisconsin and Michigan. Reports have it that the corn crop is way behind schedule and is either very susceptible to frost or will fail to mature. This could change the overall production number which is now estimated at 10.928 billion bushels, as shown in the balance sheet.

Something to bear in mind is that lows in price patterns for huge bumper crop years generally appear during harvest. No one knows for sure if this will remain true every year, but historically it has happened enough to make it significant.

Other things that one needs to take a closer look at when making a marketing decision is taking what has happened and using it to predict what may happen by the trend lines in history. One needs to observe the track record of the following: feed and residual use of U.S. corn; food and industrial use of U.S. corn; U.S. corn exports; world coarse grain production and consumption; and world wheat production and consumption. We consider wheat because it can and will be used as a substitute for corn at different times and places in the world.

As with all markets there is always a wildcard that can have significant impact. This year the most significant wildcard is China. Will China increase or decrease its imports/exports?

When looking at the feed and residual use of U.S. corn, the trend line is up. While usage fell off a couple of years ago, it would appear that we can expect to see feed and residual use increase into the 2004/05 marketing year. This is also indicated in the balance sheet. When looking at the food and industrial use of corn, the trend line is definitely up, but the past few years have shown an increase above and beyond the trend line. Much of this

Corn Balance Sheet

	2003-04	2004-05
Planted Acreage	78,736	80,968
Harvested Acreage	71,139	73,377
Yield	142.2	148.9
Beginning Stocks	1,087	914
Total Production	10,114	10,928
Imports	10	15
Total Supply	11,211	11,852
Feed and Residual	5,800	5,850
Food, Seed and Ind.	2,575	2,800
Exports	1,925	2,100
Total Consumption	10,300	10,750
Ending Stocks	914	1,102
Ending Stock %	8.7	10.3

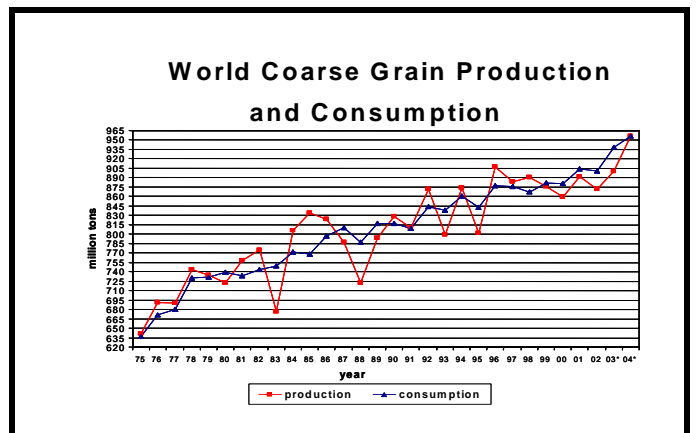
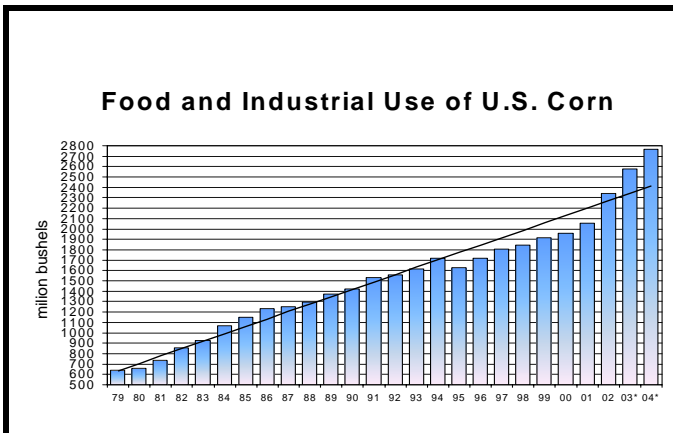
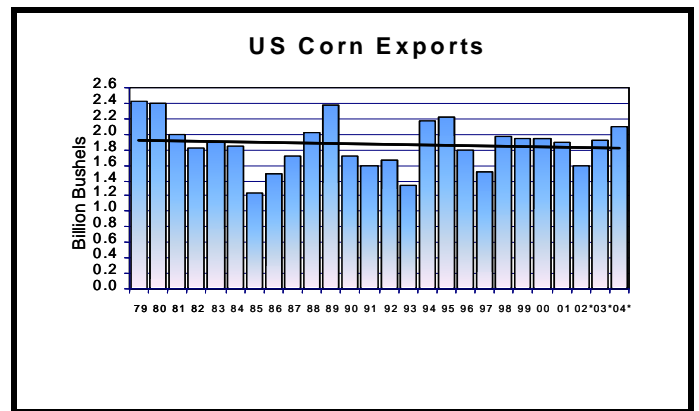
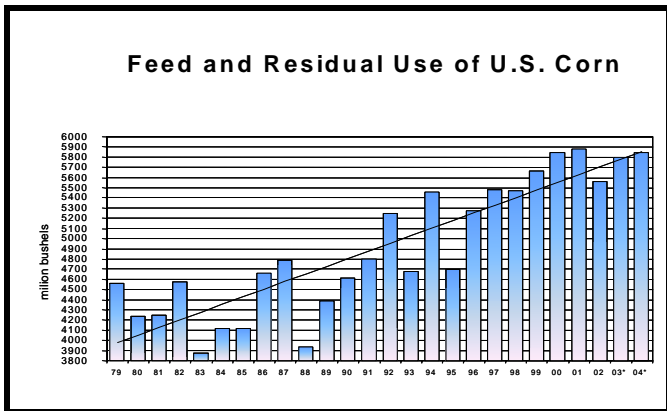
has been due to increased ethanol production. We can expect the usage to increase again in 2004/05 as shown in the balance sheet.

World coarse grain production and consumption is important in determining if we will be building excess world carry-over stocks. As illustrated in the chart, production and consumption are moving together, so we would not expect the ending stocks to in-

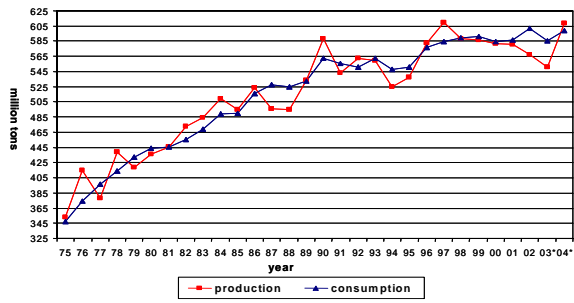
crease, adding downward pressure to prices. While world wheat production and consumption have been moving fairly close together, it would appear that we would gain very little in production over consumption, but the key phrase is very little.

When reviewing China's situation the significant factors to note is that since 2002 China's exports have been declining very rapidly. Its negative net imports/exports have been getting smaller each year as well. All indications are that this trend will continue. At some point China will come into the market and be a significant player. The general overall conclusion that can be drawn is that we do not have to be in any hurry to market grain this fall. If there is on-farm storage, grain can be marketed slowly and price recoveries can be expected after the fall season and into spring.

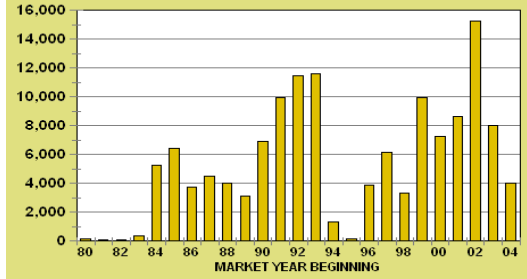
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World Wheat Production and Consumption

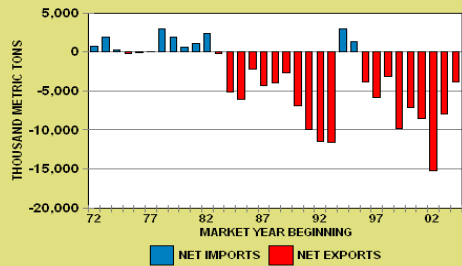


CHINA CORN EXPORTS THOUSAND METRIC TONS



Updated: July 12th, 2004

CHINA CORN NET IMPORTS/EXPORTS



Updated: July 12th, 2004