



September 2014 U.S. Crop Price Update

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Summary

Each year, the Food and Agricultural Policy Research Institute and collaborating institutions produce a ten-year outlook for U.S. and world agricultural commodity markets, generally released in early March. A five-year update to the 2014 baseline outlook for U.S. commodity markets was released in August.

Market conditions can change quickly. This report provides a new snapshot of the five-year outlook for crop prices based on information available in mid-September 2014. For example, these estimates incorporate new USDA estimates which suggest that the 2014 U.S. corn and soybean crops will be considerably larger than estimated previously, resulting in lower projected prices for many crops.

Producers must make a one-time election to participate in the Agriculture Risk Coverage (ARC) or the Price Loss Coverage (PLC) program for the life of the 2014 farm bill. Expected payments under each of the program options are very sensitive to expected crop prices, given the formulas used to calculate ARC and PLC payments. These updated price projections cover the expected five-year length of the farm bill and are intended to provide additional information that producers can use in making program choices.

The table shows a September update of market projections for all ARC/PLC commodities and upland cotton. The underlying economic model was calibrated to reproduce the FAPRI-MU August estimates for major crops, but then the September USDA crop estimates and other new market information were incorporated and new price projections developed.

Highlights of the estimates:

- Larger corn and soybean crops translate into lower projected 2014/15 prices for many grains and oilseeds. Corn prices drop to \$3.50 per bushel, soybeans to \$9.92 per bushel and wheat to \$5.91. In all three cases, these projected prices are close to the midpoint of the price ranges reported in the September USDA World Agricultural Supply and Demand Estimates.
- Larger crops in 2014/15 also result in larger beginning stocks and total crop supplies in 2015/16. As a result, corn and soybean prices for next year's crop are lower than projected in August. Corn prices average \$3.80 per bushel in 2015/16, and soybean prices drop to \$9.04 per bushel.
- Prices recover as markets adjust. Corn prices average \$4.10 per bushel, soybeans average \$10.21 per bushel, and wheat averages \$5.78 per bushel over the 2016-18 period.
- Upland cotton price projections for 2014/15 are largely unchanged from last month, as USDA estimates suggest offsetting reductions in domestic supplies and global demand. The weaker global demand is assumed to continue, slightly reducing price projections for 2015/16 and beyond relative to previous estimates.
- Prices for crops with limited acreage are generally assumed to move with prices of competing crops.

Excel tables available at www.fapri.missouri.edu report projected U.S. supply and use for corn, soybeans, wheat, upland cotton, rice and sorghum. Plans call for additional updates each month through the end of the ARC-PLC election period.

U.S. crop farm prices

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Corn (\$/bu.)	3.55	5.18	6.22	6.89	4.45	3.50	3.80	3.97	4.12	4.22
Soybeans (\$/bu.)	9.59	11.30	12.50	14.40	13.00	9.92	9.04	9.72	10.32	10.57
Wheat (\$/bu.)	4.87	5.70	7.24	7.77	6.87	5.91	5.42	5.61	5.81	5.93
Durum	5.47	5.98	9.68	8.18	7.46	6.78	6.19	6.42	6.66	6.80
Other spring	5.23	6.49	8.24	8.24	6.73	5.95	5.68	5.88	6.09	6.22
Winter	4.71	5.37	6.81	7.55	6.89	5.88	5.31	5.50	5.69	5.81
Upland cotton (cents/lb.)	62.90	81.50	88.30	72.50	77.50	64.63	59.97	58.76	59.53	60.85
Sorghum (\$/bu.)	3.22	5.02	5.99	6.33	4.25	3.33	3.64	3.75	3.88	3.96
Rice (\$/cwt)	14.40	12.70	14.50	15.10	16.10	14.31	13.40	13.16	13.21	13.37
Long grain	12.90	11.00	13.40	14.50	15.40	13.01	12.33	12.10	12.13	12.27
Medium/short (exc. Japonica)	15.70	15.00	14.30	14.70	16.10	14.34	13.67	13.44	13.51	13.70
Japonica	19.50	20.80	18.40	18.40	18.40	18.93	17.09	16.80	16.89	17.12
Barley (\$/bu.)	4.66	3.86	5.35	6.43	6.06	4.85	4.47	4.54	4.71	4.81
Oats (\$/bu.)	2.02	2.52	3.49	3.89	3.75	3.11	3.07	3.19	3.30	3.35
Peanuts (cents/lb.)	21.70	22.50	31.80	30.10	24.90	19.59	22.96	22.03	22.43	22.49
Sunflower seed (\$/cwt)	15.10	23.30	29.10	25.40	21.50	20.38	18.65	19.22	20.11	20.38
Canola (\$/cwt)	16.20	19.30	24.00	26.50	20.60	17.76	17.74	17.91	19.15	19.32
Flaxseed (\$/bu.)	8.15	12.20	13.90	13.80	13.80	12.26	11.63	12.08	12.48	12.65
Lentils (\$/cwt)	26.80	25.70	25.00	20.70	19.90	17.92	16.79	17.57	18.27	18.58
Safflower (\$/cwt)	17.10	17.20	24.40	27.50	23.70	20.65	19.38	20.25	21.03	21.38
Mustard seed (\$/cwt)	30.40	25.90	33.60	35.80	36.00	31.25	29.60	30.65	31.61	32.05
Dry peas (\$/cwt)	8.98	9.77	15.30	15.70	14.60	12.60	11.81	12.25	12.67	12.88
Rapeseed (\$/cwt)	26.30	23.40	27.00	26.10	25.60	21.74	20.24	21.31	22.29	22.71
Large chickpeas (\$/cwt)	29.10	30.50	42.10	37.90	31.10	26.46	24.59	25.66	26.66	27.15
Small chickpeas (\$/cwt)	20.30	20.80	21.50	27.40	22.80	19.27	17.87	18.67	19.42	19.79
Crambe (\$/cwt)	36.80	32.80	37.80	36.50	35.80	32.54	30.67	31.74	32.74	33.23
Sesame seed (\$/cwt)	28.00	30.60	35.00	32.00	44.00	44.79	42.13	43.68	45.11	45.82

Note: FAPRI-MU prepared these projections in mid-September 2014 based on information available at that time. Macroeconomic and policy assumptions are the same as those underlying the August 2014 baseline update, but the projections incorporate September 2014 USDA estimates of U.S. and global crop supply and use.