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2009 Crop Year is Mirror Image of 2008

Chad Hart

Iowa State University, chart@iastate.edu

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Abstract

The parallels between the 2009 crop season and the 2008 crop season are striking. This summer is closing out much like last summer for crops. The early season concern about delayed planting and crop progress is fading under steady doses of sunshine and timely rains. And with crop conditions holding, crop production is up and prices have worked their way down.

Keywords

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2009 Crop Year is Mirror Image of 2008

By Chad Hart, Department of Economics

The parallels between the 2009 crop season and the 2008 crop season are striking. This summer is closing out much like last summer for crops. The early season concern about delayed planting and crop progress is fading under steady doses of sunshine and timely rains. And with crop conditions holding, crop production is up and prices have worked their way down.

Long-range weather forecasts point to a continuation for the rest of the growing season of the relatively mild weather conditions most of the Midwest has enjoyed. While the crops are still behind usual development pace, this looks to be a long growing season that will allow many crop areas to catch up.

That means another year of large supplies. Where will all that corn and soybean go? One market is livestock feed. The livestock industry continues to work through financial difficulties. While feed demand projections are still lower than in previous years, the decline is projected to halt this year.

Another traditional market is biofuels. Crop demand growth via biofuels has slowed as the biofuel industries move through a consolidation phase. Biofuel data from the first few months of 2009 show the ethanol industry is continuing to grow, just at a slower rate than before, while biodiesel production is behind last year's pace.

Exports have been the bright spot. Soybean exports from the 2008 crop are on record pace, and U.S. Department of Agriculture's projections for the 2009 crop point to higher corn and strong soybean exports.

While demand has been weakening, lower crop prices could help spur a reversal in that trend. Lower corn and soybean prices imply lower production costs for livestock and biofuels, and that can help the bottom line in those sectors.

But for now, the markets will concentrate on the supply picture, with the overall economic situation providing some secondary shifts. Seasonal pricing patterns also have returned to the crop markets.

Corn and soybean prices tend to be at their highest in the late spring and early summer, decline through the harvest, and rebound over the winter and early spring. Current weather and crop patterns are supporting these seasonal trends.

The best pre-harvest marketing opportunities have likely passed. But the seasonal pattern suggests that for those who can store the crop, higher prices can be found a few months after harvest. The mid-September USDA reports confirmed large corn and soybean crops, but also provided signs of demand strength. These continuing signs of demand strength will be critical to maintaining prices.

The outlook for higher prices is supported by positive signs in the general economy. Prospects for some recovery on the general economic front in late 2009 or 2010 point to the possibility of increased crop demand later in the marketing year. Oil futures prices for late 2009 and early 2010 are holding above \$70 per barrel, implying some strength in energy demand. And for soybeans, early export sales on the 2009 crop have exceeded the pace set in previous years.

Chad Hart is the Iowa State University grain marketing economist. He can be reached at (515) 294-9911 or chart@iastate.edu.

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