Ag Decision Maker

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USDA's Season-Average Commodity Prices

USDA's season-average price estimate is a key variable in farm bill programs. The price counter-cyclical (CCP), the Average Crop Revenue Election (ACRE), and the Supplemental Revenue Assistance (SURE) programs all depend on that price to determine farm payments. The season-average price, also known as the marketing year average price, is a price that is meant to represent the average price received by farmers across the nation at the point of first sale. This price is across all grades and qualities of the crop and does not include marketing charges. Basically, the idea to compute the price as the total revenue received for selling the crop during the year divided by the total quantity of the crop sold during the year.

The process starts with monthly estimates for state-level commodity prices. USDA's National Agricultural Statistics Service collects sales data from producers. The data collection includes all types of sales. For example, forward contract sales are included in the month that the crop is delivered, not the month the contract is established. The sales data is aggregated to create state-level monthly average prices. The monthly state prices are computed for months when at least 0.5 percent of the state's annual sales occur during the month. These state-level monthly prices are then aggregated to the national level, based on the estimated marketings for each state during the month.

It is these monthly national price estimates that are combined to create the season-average price using monthly marketing weights, i.e. the estimated percentage of the national crop marketed in each month. USDA maintains a 5-year moving average of these marketing weights to use while the marketing year is under way. Once the marketing year is complete, then the actual marketing weights for that year are used to create the final season-average price for that year. Table 1 shows the 5-year moving average marketing weights (based on the 2002-2006 marketing years) and the actual marketing weights for the 2007/08 crop year for corn.

Table 1. Marketing Weights for the 2007/08 Corn Season-average Price

Month	5-Year Average	Actual
September	7.2%	7.9%
October	13.5%	13.7%
November	12.1%	11.1%
December	8.3%	8.7%
January	14.5%	16.5%
February	7.2%	7.3%
March	7.3%	7.5%
April	5.6%	6.2%
May	5.4%	4.6%
June	6.3%	6.1%
July	6.5%	6.4%
August	6.3%	4.0%
Total	100.0%	100.0%

USDA publishes the monthly and season-average prices in a number of publications (for example, Agricultural Prices and the World Supply and Demand Estimates report). They have also created season-average price forecast tools for a number of crops. Estimate this year's price by using the Ag Decision Maker decision tool "Season Average Price Calculator" located under Crops - Outlook and Prices.

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