

CROP MARKETING STRATEGIES

Historical Futures Price Trends

After the Fourth of July holiday period, grain traders typically focus on weather and crop conditions. Indeed, mid- to late-July typically finds the hottest weather of the year in the Corn Belt. This time period coincides with the extreme-heat-sensitive pollination stage of corn crop development. August is the most critical growing month for soybeans. However, weather will be critical during both months as a result of planting delays and the potential for double-crop soybeans planted following winter wheat harvest.

The 2008 futures markets have experienced serious weather market rallies already. As a result, by early July the December Corn Futures prices had already reached a record \$7.96 per bushel. The November Soybean Futures price had traded as high as \$16.36 per bushel. Both are the highest new crop corn and soybean prices in history.

With the potential for "summer weather scares" and the threat to this year's production, most farms will want to wait to price additional bushels until the 2008 crop is "in the bin." Their focus this summer will likely be on selling remaining old bushels and production concerns for the existing 2008 crop. Yet, the cost of storing this year's corn and soybeans crops beyond harvest will be record high on a per bushel basis. That's because of increased storage, transportation, drying and interest costs associated with corn valued over \$6 per bushel and soybeans over \$14 per bushel, respectively.

Look at the 18-year seasonal price charts that depict weekly corn futures price closes December contracts. Note the line graph tends to move higher starting in the February timeframe and then peaks out before the summer months. While some may discount the use of historical futures price data in 2008, history is the best source for forecasting future events. Note the steep drop that typically occurs in the summer months, long before the majority of the corn crop pollinates and yields become more evident.

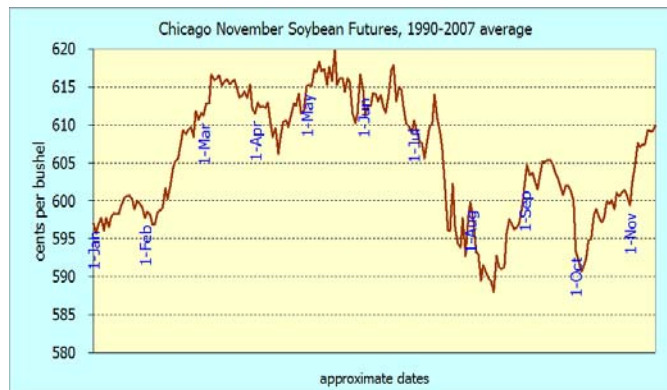


Source: CBOT data compiled U. of MN Center for Farm Financial Management, 2007.

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The soybean seasonal price chart since 1990 for November soybean futures prices is featured below. It reflects higher new crop prices beginning on average in March and typically peaks in May or June. Again, the higher prices occur before the critical month of August that typically determines the U.S. soybean yields. Many farmers will not want to price new crop soybeans until they know their potential production. Yet, the higher new futures prices typically occur before actual production occurs. Fortunately, soybean futures prices typically move higher after harvest and at the same time basis improves. The influence of uncertainty of South American soybean production adds to what Roy Smith, farmer and market advisor, calls the “dead cat bounce.”

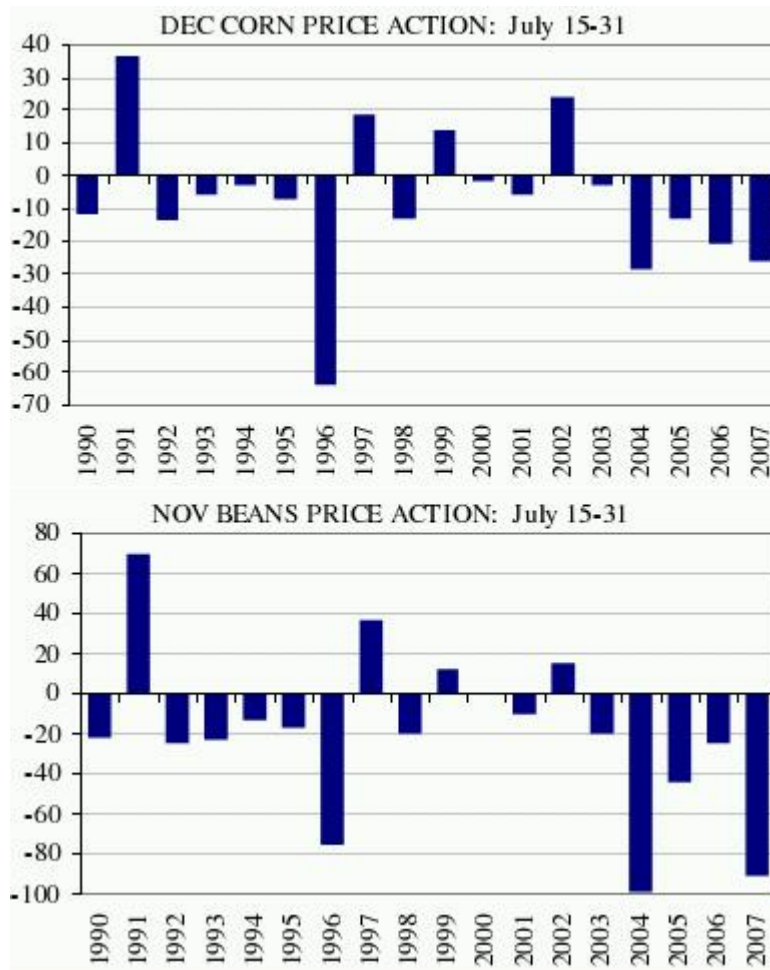


Source: CBOT data compiled U. of MN Center for Farm Financial Management, 2007.

Now take a closer look at how both corn and soybean futures prices change annually from July 15th to July 31st over this same 18-year period (1990 to 2007). The new crop December corn futures prices closes lower on July 31st as compared to July 15th 14 out of 18 years (nearly 78%). During this same 18-year period new crop November closed lower on July 31st as compared to July 15th the same number of times, 14 times.

Note the consistent pattern over the past 5 years (2003, 2004, 2005, 2006 and 2007) for December corn and November soybean futures prices to move lower from July 15th until July 31st. On July 15th, 2008, the 2008 December corn futures price closed at \$6.66 3/4 bushel. On this same date, the 2008 November soybean price closed at \$15.16 per bushel.

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Source: www.roachagmarketing.com

Conclusion

During most U.S. growing seasons the expectation of lower yields and the need for higher futures prices often gets “bid in” before planting or early in the growing season. Farmers are reluctant to price additional new crop bushels in advance, as they too have their own production concerns. While some may discount 18-year historical corn and soybean futures prices, the odds favor the highest corn prices in the last winter and spring months and soybeans in the spring or early summer months. During these same 18 years (1990 to 2007) both December corn futures and November soybean futures prices decline annually from July 15th until July 31st in 14 out of 18 years, or nearly 78% of the time.

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