Crop Markets
August 21, 2012 Webinar

Question: If I still have old crop corn in storage, would it be better to hang on to that corn and sell/feed the current crop?
There are several facets to this question: What are the qualities of the old and current crop? How much do you need for feed? How much time and effort are you willing to expend to maintain grain quality in storage?

Let’s start with the old crop. Corn can be stored for fairly long periods of time if the temperature and humidity are controlled. Charlie Hurburgh and Roger Elmore put together an article on storage management (link given below, see the table at the end of the article). If you have held the old crop corn under suitable conditions, then the crop could be carried into 2013.
http://www.extension.iastate.edu/CropNews/2008/1023hurburghrobertson.htm

Presumably, the current crop will be harvested at a lower quality than the old crop, either because of lower test weight and/or other quality issues. Lower quality corn does tend to have a shorter storage life. So it does make sense to market the lower quality corn in a timely fashion. Another issue to examine though is the current price structure for corn. Current futures are basically flat through March 2013, with May at a 10 cents discount. So the futures market is not offering any incentive for storage. And with $8 corn on the board, you are staring at profitable prices right now. Typically we store crops either to meet feed demands over the coming year or to capture higher prices. Given the strong prices on the board now, the decision to store should be linked with a decision on price protection. Price patterns in drought years tend to peak right before harvest, fade during harvest, and then rebuild in the springtime. If you are looking to store into the springtime, utilizing marketing tools that both protect today’s good prices and allow for upside price potential (such as put options) can be a good move.

Question: Does Iowa or the Midwest have a corn price advantage over other regions?
It depends on which way you look at the market. Iowa and the Midwest tend to have lower crop prices than the national average. So for crop sellers, that is a disadvantage. For crop buyers (livestock feeders, ethanol plants, etc.), that is an advantage. The lower prices are directly related to the higher crop production levels in Iowa and the Midwest. Those lower prices and ample supplies usually attract crop buyers to locate in the Midwest; hence, the concentration of the hog and ethanol industries in Iowa.
Question: Are grain prices based on harvest to harvest and do they take into account grain pre-priced?
It depends on which grain price you are looking at. USDA’s monthly and season average prices do account for pre-priced grain. And the USDA season average price is not quite harvest to harvest, but it is a pretty good approximation. It covers grain sales from Sept. 1 of the harvest year to Aug. 31 of the following year. So the 2012/13 season average price covers the period of time between Sept. 1, 2012 to Aug. 31, 2013. It is the season average price that I usually talk about in my outlook presentations. Other prices, such as the daily prices reported in the Interior Iowa Daily Grain Prices report, are cash spot prices and do not include pre-priced grain.