By Daryll E. Ray

Weather: Blessing in disguise or just a disguise?

The September 12 release of USDA's WASDE (World Agricultural Supply and Demand Estimates) contained good news and bad news for grain farmers. The good news is that the midpoint of the price projection range for corn, wheat and soybeans is higher than it has been for several years. For corn the midpoint of the projected average farm price is $2.55/bu., a level not achieved since 1996's $2.71. For soybeans, the midpoint price projection of $5.60 is a significant improvement over the sub-$5.00 prices that have plagued farmers for the last four years. Likewise, the 2002 projected season average wheat price of $3.75 is a welcome relief to producers who have seen prices languish since 1996's $4.30.

The bad news is that this price relief comes at the expense of U.S. farmers who are reporting less than 50 bushels per acre of corn on ground that usually yields from 100 to 150 bushels higher. Heavy rains at harvest time are cutting significantly into spring wheat harvest projections and early maturing beans with less than optimum fill are tempering the projected production for that crop. Add to that drought in Australia, floods in parts of the European Union and a smaller Canadian crop and it is clear why the numbers have moved up from last year's dismal prices.

But, of course, this is not the makings of a so-often-promised "prosperous new era." The prospect of five-year-record-high prices is due to yield-reducing draws in the weather game-of-chance, not changes in the fundamentals. With the exception of corn non-feed domestic demand, which likely will continue to benefit from expanding ethanol production, this bounce in crop prices is not occurring because of surging new demand for grains in Asia, Africa or Antarctica arising from growing incomes or appetites for U.S. grain. Nor are prices higher because our competitors have reduced harvested acreage and meekly turned their export markets over to us in response to the reduced prices of recent years. Actually, total acreage of major crops has increased among our major export competitors during those dismal price years. The increases in crop prices, for the most part, are NOT due to continuing, long-term, permanent changes in demand or supply.

What about next year? Well, prices could remain at higher levels next crop year if the weather wheel-of-fortune again settles on just the right combination of negative weather events. To benefit, an individual farmer must also win the side bet that his farm escapes the severe weather that plagues agriculture in general. Of course, trend-level or higher yields in the U.S. and major crop producing countries would again start our trek to the prices of yesteryear. No, "the Force" will not be with us to protect us from the days of low prices and high government payments. But it is nice to know that another price world does exist out there and that crop markets do still respond to reduced output, assuming you are one of the lucky ones with something to sell.

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Originally published in *MidAmerica Farmer Grower*, Vol. 19, No. 37, September 20, 2002