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News Column

K-State Research & Extension

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### **Farm Bill and grain price projections**

Farmers, next week is your last week you have to update your yields and reallocate base acres, deadline February 27<sup>th</sup> for the new 2014 Farm Bill.

You still have some time to sign up for the Commodity Program, March 31<sup>st</sup> of ARC-Co., ARC-IC, or PLC. If you are still searching for answers and a better understanding of the Farm Bill, I would recommend you go to [www.agmanager.info](http://www.agmanager.info) which is the K-State Research & Extension, Agriculture Economics web site and you will see a host of information on the 2014 Farm Bill.

Included on the web site is the OSU-KSU Decision Tool in which you can put your individual farm numbers information into – crops grown, past yields and future yield projections, and prices. You can use the FAPRI grain price forecasts from University of Missouri or play around with it and put in your best guess of prices and yields in the future, or both for comparison. The decision tool will do all of the calculations and figure which commodity program will have the best payments for your farm based on the information you put into the decision tool.

As for projecting prices as mentioned the University of Missouri - FAPRI Long Term Price Forecasts [http://www.fapri.missouri.edu/outreach/publications/index.asp?current\\_page=outreach](http://www.fapri.missouri.edu/outreach/publications/index.asp?current_page=outreach) is one source. The FAPRI grain price forecasts are the ones relied upon in the current OSU-KSU Farm Bill Decision tool.

Our K-State Research & Extension Ag Economists Dan O'Brien who does weekly radio reports of current grain sales, supply and demand, ending grain stocks, uses and price forecasts. Says that the FAPRI price forecasts tend to under represent the volatility of the market since they are averages, and don't include supply stocks (short crops) or unforeseen demand stocks (ethanol grain use or short crops elsewhere in the world). Therefore they are conservative price forecasts useful for long term average planning purposes.

Another price source to take a look at is USDA Long Term Baseline Forecasts

<http://www.ers.usda.gov/topics/farm-economy/agricultural-baseline-projections.aspx>

O'Brien's observation about these long term USDA projections seem to be they are conservative year after year, but do provide a baseline estimate of what prices would be under ongoing "good" production conditions.

O'Brien further comments that grain futures tend to be "myopic" in nature, i.e., the price tomorrow or next year is something akin to what we have today. So, these tend to operate somewhat like FAPRI and USDA forecasts, in that they under represent future production and supply uncertainty, and don't

necessarily do a good job of anticipating changes in demand. But then again, that is a very difficult thing to do.

He suggests reading a recent article on Farmdoc which discussed price forecast accuracy from FAPRI and USDA. Pat Westhoff of FAPRI wrote it, which has a reputation of doing solid analysis. The web link is as follows:

<http://farmdocdaily.illinois.edu/2015/02/price-projections-and-farm-bill-program-choices.html>

Of course there are many private or commercial grain marketing and forecasting firms that have professional expertise in analyzing the grain markets and making projections as well which are too numerous to mention.

If you have any questions or need any assistance with the upcoming farm bill decisions don't hesitate to contact your local K-State County Extension Office for help. I can be contacted at 785-628-9430.