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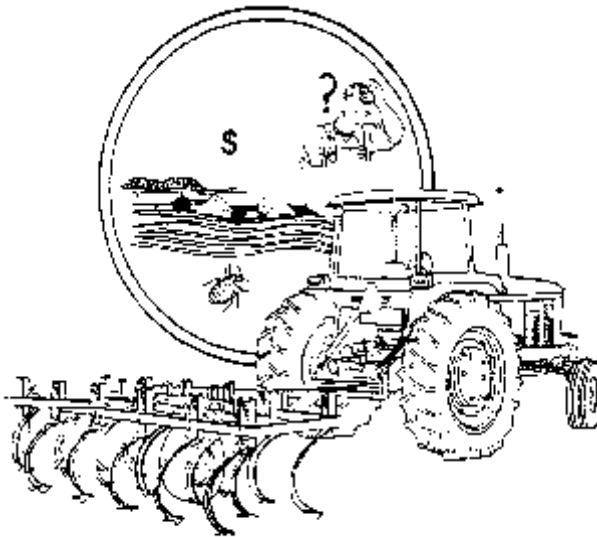
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extension economics report

# South Carolina Agricultural Situation & Outlook - 1999-2000



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# 1999-2000 Agricultural Situation & Outlook For South Carolina

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## **South Carolina Farm Income Prospects: Tough Start for the 21<sup>st</sup> Century**

Hal Harris

A second consecutive year of searing drought and low crop prices have resulted in stagnation of South Carolina farm income at about the \$1.6 billion level. Our estimates of 1999 cash receipts show a continuing decline in crop income, offset by some recovery of prices in the livestock sector.

Compared to 1996, 1999 receipts for corn have dropped by 50 percent, cotton income has fallen 35 percent, soybean income 30 percent, and tobacco sales have dipped over one-third because of quota reductions. The total decline in South Carolina gross returns since 1996 from these four crops alone has totaled nearly \$200 million.

Government relief in the form of disaster assistance, increases in AMTA payments, and higher loan deficiency payments has provided somewhat of a cushion for lower cash receipts. Nationally in 1999, direct government payments will account for about 45 percent of net farm income. Despite the "get the government out of agriculture" rhetoric of the 1996 Farm Bill, the sector is now being subsidized at the same level of the mid-1980's farm financial crisis.

### Prospects for 2000 and Beyond

Favorable weather is one key to a rebound in South Carolina farm income this year. Continued low crop prices will limit gains from a potential return to normal yield levels, but will insure a continued recovery of the livestock sector because of low feed prices. Tobacco quota is again slated for a large reduction. Agricultural exports, which were down another 9 percent in the past fiscal year, are expected to turn the corner in 2000. Large carryover of commercial stocks overhang grain and cotton markets.

Many observers have compared the current farm income problem with conditions in the farm crisis '80's. Things are not nearly so tough, they point out. Farmland values have held up remarkably well the past two years, whereas in the '80's, they crashed. Inflation is very low compared to double-digits in the '80's. Finally, farm debt is at a more manageable level for most producers.

Let's look at the flip side. The 1980's farm crisis took a terrible toll, but was remarkably swift. Farms failed; land was removed from production both voluntarily in response to market signals, and because of programs; supplies fell; prices rose.

Today, markets are signaling for a reduction in supply. Government bailouts, higher LDP's, and enhanced crop insurance subsidies are keeping that from happening. Barring a major crop disaster somewhere in the world, the current policy environment is likely to keep the farm sector mired in a low price scenario for several years.

The bottom line is this. Markets work, but they must be allowed to work. When markets work on the downside, they can be cruel things. You can't have your cake (planting flexibility, freedom from government controls, decoupled payments, no government stocks) and eat it, too. Congress faces some difficult choices in setting a farm policy course for the new century.

Cash Receipts from Farm Marketings by Commodity and Government Payments,  
South Carolina 1996, 1997, 1998, 1999

COMMODITY	1996	1997 <sup>1</sup>	1998 <sup>2</sup>	1999 <sup>3</sup>
	Thousand Dollars			
FIELD CROPS:				
Corn	78,715	66,823	33,650	40,000
Cotton Lint	136,413	134,228	116,742	95,000
Cottonseed	9,556	10,026	8,721	10,000
Hay	10,791	12,444	12,968	15,000
Oats	2,007	1,476	914	1,700
Peanuts	7,975	8,739	8,058	9,500
Soybeans	87,647	91,616	67,896	60,000
Tobacco	214,650	213,298	175,466	143,000
Wheat	57,659	50,313	23,975	24,000
VEGETABLES:	74,800	71,000	67,000	71,000
FRUITS AND NUTS:				
Apples	3,874	6,844	8,278	8,000
Peaches	3,901	24,900	27,258	32,000
Pecans	1,631	2,618	1,298	1,300
Other Fruits and Nuts	2,621	3,245	3,167	3,000
MISCELLANEOUS CROPS:				
Forest Products	13,000	14,000	15,100	15,000
Greenhouse, Nursery & Other Crops	167,766	186,220	189,914	200,000
TOTAL CROPS	872,106	897,252	760,911	728,500
LIVESTOCK & LIVESTOCK PRODUCTS:				
Broilers	306,657	319,512	335,118	340,000
Cattle	78,769	106,533	90,251	100,000
Eggs	87,006	78,592	68,962	70,000
Farm Chickens	1,401	1,613	1,414	1,500
Hogs	69,828	64,158	41,188	50,000
Milk	62,185	57,565	61,325	60,000
Turkeys	118,100	143,707	135,341	135,000
Other Poultry	9,500	10,500	10,600	10,000
Other Livestock	19,372	19,719	19,005	20,000
TOTAL LIVESTOCK & LVSTCK. PRODUCTS	752,818	801,899	763,204	786,500
TOTAL COMMODITIES	1,624,924	1,699,151	1,524,115	1,515,500
GOVERNMENT PAYMENTS	43,100	43,000	62,400	90,000
STATE	1,688,024	1,742,151	1,586,515	1,605,000

<sup>1</sup> Revised.    <sup>2</sup> Preliminary.    <sup>3</sup> Forecast.

## Swine and Poultry Situation and Outlook

Kelly Zering<sup>1</sup>

Poultry was one of the few bright spots in agriculture in 1999, while swine producers struggled to regain profitability. Turkey and broiler producers earned positive margins. Table egg prices declined on increased per capita supply but margins remained positive late in 1999. Feed prices remained low by historical standards. Broiler production is expanding. Per capita consumption and production of pork increased in 1999 but is expected to decline in 2000. Lack of hog packing capacity continued to depress hog prices on the East Coast in 1999. Market conditions on the East Coast and the events of 1998 contributed to a wave of hog farm bankruptcies, liquidations, conversion to production contracts, and increased integration in the region. USDA predicts little change exports for pork and poultry in 2000. Hurricanes caused severe damage to some poultry and hog farms in 1999. Federal environmental regulations affecting swine and poultry producers are evolving quickly.

**Broilers:** Domestic production of broilers increased at annual rates of only 1.9 percent in 1998, 6.5 percent in 1999, and is predicted to rise by 5 percent in 2000 (USDA, 12/28/99). Broiler meat exports declined by less than 1 percent in 1999 and USDA predicts a similar increase to 4.7 billion pounds in 2000. The larger than predicted exports in 1999 helped preserve margins in the face of the substantial increase in U.S. broiler production. Through October of 1999, substantial increases in exports to Hong Kong, Latvia, and other countries offset sharp reductions in exports to Russia. Hong Kong replaced Russia as the leading market for U.S. broiler exports. Domestic per capita consumption of broiler meat has also risen steadily from 68.8 pounds (retail) per capita in 1995 to 74.2 pounds in 1998, 77.5 in 1999 and a predicted 81.6 pounds in 2000. The substantial increase in production, per capita consumption, and exports in 1999 was accompanied by an 8% decrease in wholesale prices. Despite lower prices, and broiler processors earned margins between ten and fifteen cents per pound RTC margin in 1999. With the predicted 5 percent increase in domestic per capita consumption in 2000, USDA predicts a 4 percent decline in wholesale broiler prices. Unchanged feed costs result in predicted processor margins of 10 cents per pound RTC. Risk factors include feed cost shocks and economic recession in domestic and export markets. Broiler margins are relatively more sensitive to protein (soybean meal) prices than other livestock and poultry. Reduced supplies of beef and pork and predicted large margins for broiler processors may result in greater than expected broiler production and slightly lower prices in 1999.

**Turkeys:** Total weight of U.S. turkey production rose by 1 percent in 1999 and is predicted to rise by another 1 percent in 2000 (USDA, 12/28/99). Turkey exports fell from 446 million pounds in 1998 to 356 million pounds in 1999 and are predicted to rise to 390 million pounds in 2000. Through October, 1999, a sharp decrease in exports to Russia and a

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<sup>1</sup> This paper was presented at the 2000 South Carolina Ag Expo on January 11, 2000 in Columbia. Kelly Zering is an Associate Professor and Extension Specialist in the Department of Agricultural and Resource Economics at North Carolina State University.

decrease in exports to Mexico accounted for the reduction in total turkey exports. Mexico was the major export market for U.S. turkey in 1999. U.S. per capita consumption rose to 18.2 retail pounds in 1999 from 18.1 in 1998. Slightly increased production and exports, and population growth in 2000 are predicted to reduce per capita consumption to 17.8 pounds. Lower feed costs and slightly higher prices maintained positive turkey processor margins in 1999. Slightly lower feed costs and slightly higher prices may maintain positive margins in 2000. A substantial increase in production seems unlikely in view of negative margins in 1996 and 1997 and slim positive margins in 1998. Shocks from exports or feed prices could affect turkey processor margins in 2000.

**Table Eggs:** Market egg consumption increased by 5.2 eggs per capita in 1998, 9.5 eggs per capita in 1999, and is predicted to increase by 0.7 eggs per capita in 1999. A decline of 10 cents per dozen in egg prices was partially offset by lower feed costs in 1999 to maintain very positive margins for egg producers. Margins that dipped below 0 late in 1999 and expected low feed costs support the prediction of slight increases in production and lower prices in 2000. Egg producer margins may fall more than predicted due to production that may increase more than expected due to a larger laying flock.

**Swine:** Despite unprecedented losses in the fourth quarter of 1998, U.S. pork production increased by 2 percent in 1999. This growth was greater than predicted by the December, 1998 Hogs and Pigs report which listed an inventory 2 percent larger than 1997 with 1999 farrowing intentions 1 and 7 percent lower than in 1998 for the first two quarters. Larger litter size and heavier market weights contributed to increased pork supplies. The December 1999 Hogs and Pigs report lists an inventory 4 percent below 1998, a breeding herd that is 7 percent smaller than a year earlier, and farrowing intentions for the first two quarters of 2000 that are 3 and 5 percent below year earlier levels. Pork exports rose from 1.23 billion pounds in 1998 to 1.27 billion pounds in 1999. Exports are predicted to fall to 1.2 billion pounds in 2000 (USDA, 12/28/99). Pork imports rose from 704 million pounds in 1998 to 822 million pounds in 1999. A decline in imports to 800 million pounds is predicted for 2000. Net export of pork fell by 14 percent (75 million pounds) in 1999 and is predicted by USDA to decline by another 50 million pounds in 2000. Major export destinations through October, 1999 include Japan and Mexico. Exports to Russia fell to very low levels in 1999. Pork imports from Canada increased sharply in 1999. Domestic pork consumption rose from 52.6 pounds retail per capita in 1998 to 54 pounds in 1999. Per capita consumption is predicted at 51.5 pounds per capita in 2000 on decreased production. Average annual hog price fell from \$34.72 per cwt. live in 1998 to \$33.55 in 1999. USDA predicted hog prices near \$39 in 2000 (12/28/99). Recent lean hog futures prices suggest live hog prices averaging near \$41 in 2000 as supplies decrease. Lower feed costs restored hog producer margins to near breakeven levels late in 1999. Risk factors include feed cost shocks and economic recession.

The U.S. pork industry underwent a dramatic transformation in 1999 following the economic disaster in 1998 and the first half of 1999. USDA reported a 14 percent reduction in the number of farms keeping pigs. The portion of the U.S. inventory that was under contract to producers with 5,000 pigs or more rose from 23 percent in 1998 to 32 percent in 1999. In October, 1998 U.S. packers reached a slaughter rate of 2 million head per week and set

several records for weekly slaughter through the remainder of 1998. Despite retail pork prices that were only 2 percent below 1997, hog prices fell to as low as 9 cents per live pound in December, 1998. Despite a similar weekly slaughter rate in the fourth quarter of 1999, hog prices remained in the range of 32 to 36 cents per live pound. These circumstances have fueled a movement by some independent hog producers to form various hog marketing and pork processing organizations and to seek legislative and judicial restrictions on integration of the U.S. pork industry.

**Related Issues:** Environmental regulations for poultry and hog farms continue to evolve across the country. The EPA has presented several new documents for review describing guidelines and regulations for all livestock farms.

A severe packing capacity shortage on the East Coast continues to hamper swine farms here and create powerful incentives for integration. The acquisitions of Carroll's Foods and possibly Murphy Family Farms by Smithfield Foods are the most noticeable evidence of industry consolidation. North Carolina, Virginia, and South Carolina have enough surplus pigs to supply a 16,000 head per day slaughter plant (4 million per year) based on recent pig crop estimates. NC, VA, and SC had a combined pig crop of 19.9 million head in 1998 while combined slaughter in the three states was about 14.4 million head. Exports of weaned pigs and feeder pigs are alleviating excess supply. U.S. Pork Board data reveal that North Carolina farmers received \$14 per head less than Iowa producers in 1998 and \$10 per head less than Iowa producers through September 1999. These price per head differences reflect lower prices on the east coast as well as lighter market weights.

Continued recovery of economies of Japan and Korea may result in higher than expected exports. Decreased U.S. meat supplies and higher prices may limit export quantity but increase export value.

Feed prices are low at the moment. Booking feed, hedging with futures contracts, or buying call options are methods of limiting feed cost risk in 2000.

**In summary,** 2000 will be a year of large broiler supplies and declining pork supplies, rising prices, improving profit margins for hog producers, and positive margins for poultry producers. Reduced cattle supplies forecast for 2000 hold some promise of higher prices.



# BEEF SITUATION & OUTLOOK FOR 2000\*

**P. James Rathwell**  
**Extension Agricultural Economist**  
**Clemson University**

The new millennium is here and it looks like the cattle business survived the Y2K bug. This new millennium will also bring about changes in this industry. Record beef production levels are projected to decline in 2000 for the first time in three years. Winter quarter fed-cattle supplies will approach 1999 levels --- by the spring quarter heavy carcass weights will decline and the number of animals on feed will be smaller. These factors will lead the industry into smaller overall beef supplies for the start of the new millennium.

The fall of 1999 saw feedlot placement levels higher than 1999's level (Table 1). Total placements were nine (9) percent higher in October and 5 percent higher in November. Placement numbers show that during these months that a substantial number of cattle placed were in lightweight categories. Lightweight classes were as much as 30 percent over the 1998 placement levels. It is the animals in the lighter weight classes that will continue the larger late winter and early spring beef production levels.

TABLE 1.  
CATTLE PLACED ON FEED BY WEIGHT GROUPS FOR OCTOBER AND NOVEMBER OF 1998

	600-699 LBS		700-799 LBS		800 PLUS		TOTAL			
	1998	1999	1998	1999	1998	1999	1998	1999		
OCT	776	1022	649	797	686	687	719	588	2830	3094
NOV	745	766	556	657	442	416	322	331	2065	2170

Once through the winter period beef production should decline. Smaller available supplies from a smaller national calf crop and lighter out-weights (from lighter placed cattle) should help moderate overall beef supplies in 2000. **Cattle-Fax** has calculated that during the last 10 years, beef production has had a 30 million pound average decline per week from January to April. This year's decline is projected to approach 45 million pounds per week. This decline should be sufficient to support winter fed cattle prices in the high sixties with potentially higher fed cattle prices in the spring. Fed cattle futures prices are suggesting high sixties to low seventies in the winter and spring, respectively.

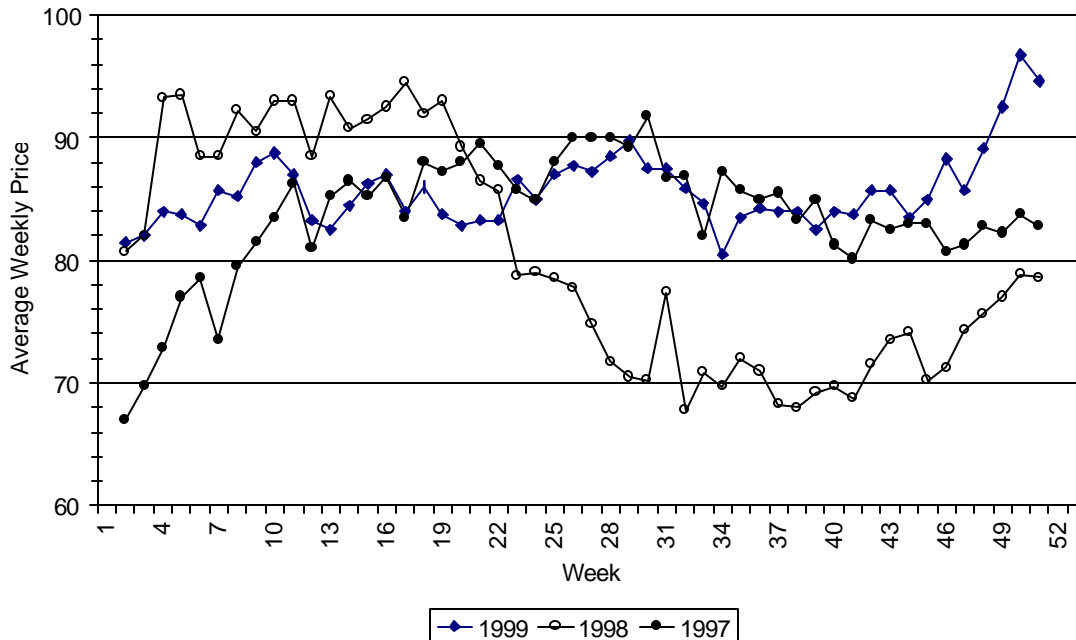
The fed market has also affected feeder cattle and stocker cattle prices. Feeder and calf prices increased nicely during the late fall of 1999. Carolina 500 pound calf price increased by \$20 per cwt over 1998 price levels (Figure 1). Our prices were strongly affected by positive feeding margins due to lower corn prices. Feedlots with positive margins will bid up the price of feeders and stockers in anticipation of continued profits.

These price levels are expected to stay high over the winter and through the spring of 2000. **Cattle-Fax** predicts that feeder cattle prices will average 118% to 119% of fed prices during 2000. This is a \$13 to \$14 per cwt. average above fed-steer prices. During the last cycle peak in 1991, feeder-steer prices

\* This paper was for presentation at the South Carolina Agricultural Outlook Conference, Columbia, S.C., January 11, 2000.

averaged \$12 per cwt. or 116% above fed-cattle prices. The old run of thumb is that a strong “negative price margin” between fed and feeder prices is about \$10 per cwt. (**NOTE:** This also means that large early winter-fed supplies and the resulting lower fed cattle prices during this time will likely cause feeder prices to decline---but the negative between fed and feeder cattle margin should remain constant).

Figure 1. Steers 400-500 Cwt.



How do feeder prices relate to stocker prices? In the Carolinas 500-pound stocker calves typically are priced between \$8 and \$10 dollars above 750 feeder cattle prices. Late December 1999 prices from SC auctions indicate that lightweight calves are at a \$16 premium to these feeder weight cattle. The Chicago Mercantile feeder cattle futures contract for January is trading at \$84.90; the April contract is \$85.05. If the typical feeder-stocker relationship occurs this year it suggests that the spring price for 500 weight calves will have substantial support at \$95 hundredweight.

The “cloud on the horizon” for 2000 is the weather. Exceptionally mild and dry weather is occurring across much of the country (The La Nina affect). These conditions are expected to continue through the spring of 2000. Weather conditions in the southeast and our market areas of the Southern Plains and mid-west are expected to be hot and dry. This suggests adverse winter grazing conditions in the major winter wheat producing states. Southern cattle producers are likely to be facing a dry summer with limited soil moisture reserves. The worst could be another drought in the Southeast.

**SUMMARY**

Smaller feedlot inventories and strong feedlot margins will set the tone for strong feeder and stocker

prices in 2000. Heavy winter fed-cattle supplies will give way to smaller spring beef production levels. But, a smaller calf crop and continued cheap corn coupled with an improved feedlot situation will support lightweight calf prices in the fall of 2000. Five weight calves without a drought should be supported in the mid \$90 range most of this year.

## **TOBACCO OUTLOOK FOR THE YEAR 2000\***

Russell W. Sutton, Ext. Ag. Economist, Clemson University  
Dewitt T. Gooden, Ext. Ag. Agronomist, Clemson University

### ***Present Situation***

The structure of the tobacco industry is undergoing monumental and wide-ranging adjustments. Immediate future and long term farm-level challenges are immense.

The industry has just entered the "Transition Era" and this is rapidly becoming a reality for just about every phase of the system. We call it this because nearly all parts of the system are experiencing conditions that are very different from the immediate past and face a future that will likely be even more different than those today. In general, this means that most or all parts of the system are questioned or seemingly become inconsistent/unworkable. The structure of the system is usually at the core. Very often, present policies, production, and pricing are challenged. The marketing sector (which actually serves the communication function) is often under the most pressure. Technology adoption also takes place at a very rapid rate. This means that many, if not most of the old long-term personal and financial relationships will likely be different in the future.

From the grower's standpoint, this was evident in the reduced 1999 flue-cured quota levels. Much, if not most of this decline was either directly or indirectly based on the non-farm level tobacco agreement and litigation activities. Long-term projections are even more bleak. Recent massive cigarette price increases to pay for these agreements, increased health and other regulations, and known/potential future tax increases are just examples of present/future impacts. Producers/quota holders outlook has been/is dismal for continuing future production levels necessary to maintain economic survival. The status-quo issue is further clouded by the increasing debate of alternative possibilities such as contracting, massive program changes, or even, no program. For example, contracting is starting to become a reality and this could have an immense impact on the present tobacco program.

### ***2000 Quota***

Because of the above overall situation, the flue-cured quota levels for the year 2000 are dismal. The 2000 U.S. flue-cured basic quota is reduced by another 18.5 percent from last year. This means there has been a three-year reduction of about 50 percent in quota levels. The livelihood of farmers and support industries will be threatened as their survival is being jeopardized by significantly smaller production, uncertainty, and loss of control. Stabilization did have a sale just prior to the 2000 quota announcement and kept the quota from falling over 30 percent.

For the second consecutive year, the 1999 state-wide crop was not the best quality. The crop started slow due to extreme dry conditions for most parts of the state and then received rainfall during the eleventh hour. For the most part, this crop was deficient in moisture at critical times. The average 1999 yield per acre for S.C. was 2,150 pounds as compared to another low yield of only 2,050 in 1998. The state had averaged over 2,300 pounds for both 1996 and 1997. The 1999 season average price was around \$168.7 per cwt, down from the \$171.1 last year and the lowest since 1994. S.C. tobacco producers harvested 39 thousand acres, or 83.9

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\* This paper was presented at the 2000 S.C. Ag. Expo on January 11, 2000 in Columbia, SC.

million pounds in 1999. The state gross farm income from tobacco was only \$141.5 million in 1999 as compared to near \$220 million just two years ago. This means that, on an annual basis, state producers lost around \$75-80 million as compared to 1997. Despite recent sharp decreases in quota, stabilization receipts were nearly 34 percent for type 13 tobacco and reached nearly 80 percent of total sales during the final days of the season. Last year, less than 17 percent had been placed under loan. The 2000 South Carolina basic quota will also be decreased by 18.5 percent.

Presently, world tobacco trade issues are not receiving much attention. Stocks of foreign-grown flue-cured tobacco were 16 percent lower on July 1, 1999 than one year earlier. This was because manufacturers decreased leaf imports and continued using foreign leaf in cigarette production. In general, recent flue-cured exports have remained close to levels in the immediate past. Most of this has been because of lower world production last year and an off-set of lower exports to the Asian countries being taken-up by European Union countries. Thus, export disappearance remained about the same during this past year while domestic disappearance declined about 8 percent.

Beginning domestic flue-cured stocks for 2000 will be lower than the previous year. Flue-cured supply (projected supply plus carry-over) will be close to the historical average level of 2.5 times the prospective use. This ratio will likely continue to fall next year as manufacturers should reduce inventories even more. It is unknown whether this is due to company economic conditions or a "wait-and-see" for the future. Regardless of the reason, specific qualities of flue-cured that are demanded by both the domestic and export markets will likely shrink significantly.

QUOTA AND SUPPORT PRICE DATA FOR U.S. FLUE-CURED TOBACCO; 1994-2000.

Item	1994	1995	1996	1997	1998	1999	2000
Buying Intentions	288	570	476	569	455	327	286
3 Yr Avg Exports	391	372	345	343	372	355	334
Marketing Adjust.	-183	22	80	125	-42	-35	-93
Secretary Discretion	-15	-29	-27	-30	24	19	16
Basic Quota	803	935	874	974	808	666	543
Percent Change	-10.0%	+16.4%	-6.5%	+11.5%	-17.1%	-17.5%	-18.5%
Effective Quota	799	925	944	1,020	820	672	553
Percent Change	-10.2%	+15.8%	+2.0%	+8.1%	-19.6%	-18.1%	-17.7%
U.S. Price Support	\$158.3	\$159.7	\$160.1	\$162.1	\$162.9	\$163.2	\$164.0

## *Future*

The future is very uncertain for U.S. tobacco production. Although tobacco will be produced, the who, how much, and where questions still remain. Given all the debate, changes, agreements, turmoil, etc. in the industry, it is currently unknown how the companies, exporters, and dealers will react. Much of this is dependent upon such factors as the tobacco settlement(s), litigations, price increases, exports/imports, potential taxes, legal activity, and possible changes in regulations and restrictions.

Producers and quota holders have started to participate in compensation from the tobacco trust funds. The first checks from the Phase II funds (grower fund) were recently mailed. There is a possibility that growers could also share in Phase I funds (general agreement funds to the state.) After South Carolina producers had asked for approximately 50 percent of Phase I funds, the Governor recently proposed in his budget that: "...60 percent be used to fund health care initiatives... 20 percent to promote economic development... [and] 20 percent to revitalize our tobacco-dependent communities." The trust activity is important and will certainly aid but it will not solve the farm-level, community, and support industry problems.

One bright spot on the near horizon is the production of "low nitrosame" tobacco. From reports, a change in the curing barn (no direct flame), possibly other management practices, and the microwaving of the cured leaf will, for the most part, eliminate nitrosames in tobacco. According to the popular press, this would reduce certain important carcinogens. If true, then this could revolutionize the production of flue-cured tobacco. It would mean that producers would probably need to spend at least \$5,500 per barn to change to this process, and/or sign a contract.

The outlook for producers/quota holders is difficult, if not dismal for continuing future production levels necessary to maintain economic survival. This problem is further enhanced by the immense changes, trust relief, contracting, possible program changes (or elimination), and the present economic situation. From the policy standpoint, the present period is critical. Despite all the chaos, problems, uncertainties, barriers, and conflicts, tobacco production has survived a long time -- but, the future will be different than the past.

# FEED GRAIN SITUATION AND OUTLOOK

George Shumaker

## General Situation

Many ag commodities are experiencing a “*price drought*” as my colleague Dr. Charles Curtis of Clemson University terms the current market situation. Corn is no exception. Many reasons have been put forth to explain the current price situation including weak exports, the Freedom to Farm Act, El Nino, La Nina, the strong dollar and changes in foreign agricultural policies. Probably each of these factors has played some role to some degree.

Regardless of the exact reason, we simply have more corn in storage and about to be harvested than we can find buyers for at prices farmers consider satisfactory. Indeed, the price for corn and other feed grains are below the cost of production for most growers and are currently below the CCC loan rate.

Farmers, as sellers, do face a highly inelastic demand for corn. Small changes or even perceived changes in supply can result in dramatic price swings. Given the current U.S. ag policy of allowing the market to send price signal directly to farmers, the glut of corn has driven markets very low in order to determine a market clearing price. It is unlikely that this policy will be changed soon so we are faced with the challenge of developing new methods for forecasting prices, evaluating market risks and developing marketing strategies for a low price environment.

## Review of the 1998-99 Marketing Year

The high light of the 1998-99 marketing year is the very high level of use of corn. The latest USDA supply demand estimates placed total use at 9.305 billion bushels. Feed use matched the record high of the previous year at 5.575 billion bushels, food and industrial use was record large at 1.88 billion bushels up 50 million bushels over the previous year and exports will be about 1.85 billion bushels, down 135 million bushels. Livestock numbers are large with steady growth in the poultry sector, a steady beef sector and a surprisingly resilient pork sector. The industrial use category was led by increased ethanol production while more corn sweetener production high lighted the food use area. While exports were down from last year, they were well above the level s seen in the two previous years but remain below the record foreign sales levels set during the 1995-96 marketing year. Ending stocks will be near 1.7 billion bushels or about 18 percent of use.

The negative side of the ledger was posted by the supply of corn. Beginning stocks were large at 1.3 billion bushels. Corn acreage was over 80 million acres for the first time since 1985. Generally excellent weather allowed the newer varieties to produce to near their genetic potential as national average yields were 134.4 bushels per acre. The large crop and large carry in stocks provided a total supply of 11.1 billion bushels, a full billion bushels more then the previous year. These burdensome

supplies swamped the record off take and traders pushed prices below the \$2.00 level to seek buyers.

It is difficult to explain the low price we are seeing for the 1998 crop and again this year for the new crop, especially in light of the near record use. While carry over stocks have increased over the past several years and indeed are 4 times the level seen from the 1995 crop year, they alone cannot be used to justify the current price situation. In recent previous years with similar carry over to use ratios, price were in the \$2.30 range. Clearly other factors are in play and I am not sure what they are.

Other issues that emerged during the past crop marketing year include reduced southern hemisphere where La Nina weather problems reduced yields. The wide spread use of GEO or Genetically Enhanced Organisms such as BT corns and corns that are "Round-up Ready". These new varieties may have enhanced yields and reduced production costs. However, they have caused a major point of contention in the export markets over the alleged safety of GEO in general and corn in particular. The result has been a near total halt of European Union purchases of US corn. One solution to this problem that may gain favor is the creation of a dual marketing system for traditional, ie non-GEO, products that segregates them from GEO products. There are instances where traditional varieties are receiving a price premium. This may force some rethinking by some farmers concerning adaptation of the new technologies.

Other developments with potential impacts on the corn markets deal with food assistance programs to Russia and other countries and the relaxation of trade sanctions previously imposed on Iran and some African nations. Only modest sales increases can be expected however.

### **The 1999 Crop Situation**

The USDA September crop report can be summarized as follows: planted acres down 2.6 million acres at 77.6 million acres; harvested acres down 1.6 million at 71 million; projected yields of 132.2 bushels per acre down from 134.4 in 1998; crop size of 9.381 billion bushels down from 9.761 last year and total supplies nearly unchanged at 11.7 billion bushels.

The demand side of the price equation is also expected to see little change in net. Feed use is projected to be steady at record levels of 5.575 billion bushels. Food industrial uses are expected to continue their steady growth rising 50 million bushels to 1.88 billion bushels once again outstripping exports. Foreign sales are projected to fall 135 million bushels to 1.85 billion bushels although the weakening dollar in the fall of 1999 may stimulate more interest in US corn. Total corn off take will likely be just over 9.3 billion bushels, down about 80 million bushels from last year. Ending stocks will rise by a similar amount to about 1.765 billion bushels or 19 percent of use.

Season average prices for 1999 crop corn are projected to average between \$1.75 and \$2.15 per bushel. During calendar 1999 to date December 1999 delivery futures prices posted a high of \$2.51 at the end of March and a low of \$1.94 on July 12<sup>th</sup>. Since posting that low prices have traded in a wide



band of about 45 cents. A seasonal down trend into the harvest period is underway at present.

### **Marketing Strategies**

Almost undoubtedly, the high price for the marketing year has passed by. The only hope would be for some type of weather market to develop next spring or early summer. Thus the challenge facing farmers is to try to develop a marketing plan based upon low prices will little incentive for the market to rally.

The national average loan rate is \$1.89 per bushel. Many farmers may view the loan program as a stop gap marketing tool, especially when local cash price are below the loan rate. However, provisions of the FAIR Act provide for Loan Deficiency Payments or LDPs to encourage producers to retain possession of their crops rather than placing them under loan and possibly forfeiting them to the CCC. LDPs are determined daily by subtracting the Posted County Price from the county loan rate. So, a producer can accept the LDP, forego the loan and retain ownership or sell the corn.

Our task is to maximize our income from disposing of the corn. There are two piles of money to draw from: the cash market and the government program. As the cash market price increases the government pile will shrink and as the cash pile shrinks through lower price the government pile will increase. We need to keep our eyes on BOTH piles for we will likely draw from both sources.

Our alternatives are:

1. Place the crop under loan, receive cash in hand, store the crop and wait (for up to nine months) to see what happens remembering we can repay the loan during that time.
2. Forego the loan, retain beneficial interest, accept the LDP when we feel it is acceptable to us and either store the crop or sell it for immediate or future delivery, perhaps with a delayed price contract.
3. Accept the LDP, sell the crop and be done with it.
4. Accept the LDP and replace the sold crop with call options is we feel prices will rise, or put options if we feel prices will fall (and LDP rising).

### **The Future**

I expect corn acreage in 2000 to decline slightly. The current price support levels under Freedom to Farm via the loan rates favors oilseeds over feed grains. This will play a role in farmer's planting decisions to some extent. A acreage number near 75.5 million acres would appear reasonable from this perspective. Trend yields would be near 132 bushels per acre providing a crop near 9.13 billion bushels. Given projected stocks, 2000 crop year supply would be about 10.85 billion bushel. If off take remains steady at 9.3 billion bushels, ending stocks would decline about a million and one half bushels to about 1.6 billion bushels providing a stocks-to-use ratio of 17 percent. Season average prices could move up to the \$2.15 - \$2.25 range.

# **WHEAT SITUATION AND OUTLOOK**

George Shumaker

## **Current Global Situation**

World wheat production during calendar 1999 declined for the second straight year totaling about 21.1 billion bushels. That is a 500 million bushel decline from last year and a 1.4 billion bushel decline from the record of 1997. While production has declined, consumption has remained nearly steady at 21.6 billion bushels. This has allowed world ending stocks to be drawn down 10 percent from 5 billion bushels to 4.5 billion bushels during 1999. This is the lowest level of ending stocks since 1996 and represents a ratio to use of 20.8 percent.

There appears to be a disconnect between the usually reliable relationship between changes in stocks-to-use ratios and changes in prices. The current ratio is the third lowest in the decade of the 1990s and lower than last year, yet U.S. average prices actually fell. This disconnect may auger a price rise for the 2000 crop.

## **1999 Plantings and Production**

U.S. wheat plantings for harvest during 1999 totaled 63 million acres, the lowest since 1973 and down 3 million acres from that planted for harvest in 1998. Farmers across the U.S. responded to the low market prices brought about by large U.S. production and carry over stocks from previous years and a glut of wheat in world markets. The reduced acreage continues a four year trend from 1996 when plantings totaled 75.1 million acres.

Growing conditions were generally very favorable for wheat growth throughout the year. National average yields are projected by USDA to be 42.7 bushels per acre, the second highest yield on record bested only by last year's 43.2 bushels per acre.

Total production will fall 8.5 percent on the slightly lower yields and the lower harvested acres to 2.308 billion bushels compared to the 2.55 billion bushels harvested in 1998.

## **Total Supply**

Despite the lower production, total supplies for the 1999-2000 marketing year will rise marginally due to the huge beginning stocks of 945 million bushels. Total supplies will be 3.359 billion bushels, 17 million bushels less than in 1998 but nearly 13 percent above the supply in 1997.

## **Wheat Useage**

Wheat use will show some improvement during the 1999-2000 marketing year. Domestic use will continue its slow steady increase and will likely top 915 million bushels. Exports may rise from 1.05

billion bushels to 1.1 billion on the strength of improved financial conditions in some importing countries. Also, Federal food assistance programs are expected to rise and they contribute to off take as well.

The last use category is feed use. Low corn prices will hamper wheat feeding unless wheat prices fall to less than 110 percent of corn prices. That is not likely during the fall of 1999 but could happen next spring during wheat harvest. The current estimate is for feed use to fall from a very high 405 million bushels to 250 million.

Total wheat use will be 2.357 billion bushels compared to 2.431 billion for the 1998 crop year.

### **End Stocks and Price**

Wheat ending stocks will remain very high at a little over 1 billion bushels representing about 37 percent of use. This ratio is much too high to allow prices to sustain much of a rally without significantly fewer planted acres or a threat to the crop next year.

USDA projects the season average price received by farmers to be \$2.60. The outlook for the 2000 crop year is not promising at this point in time although July 2000 futures price quotes point to cash bids above the loan rate for most U.S. farmers.

### **The Future**

Wheat production continues to decline in importance to many areas of the U.S. Since wheat is a crop produced by many nations around the world production can quickly respond to changes in price. Unless there is a major weather disruption, wheat prices will remain on the defensive and work to limit acreage while stimulating demand. Until prices move significantly higher look for U.S. acres to slowly decline.

The current working supply-demand ledger looks for acreage to decline 1.5 million acres to 61.5 million acres, the lowest since 1973. Harvested acres would be about 53.9 million acres. Using trend yields of 38.5 bushels per acre, 2000 production would be near 2.2 billion bushels. Total supply would be near 3.32 billion bushels.

Assuming wheat use is near current marketing year levels of 2.43 billion bushels, ending stocks would be reduced by 10 percent but would remain at a high level of nearly 900 million bushels. A current estimate of season average prices under this scenario would be an average of about \$2.60 or just slightly above the loan rate.

# ***Cotton Situation & Outlook for 1999-2000***

**Charles Curtis, Jr.**

Our best opportunities for pricing 1999 cotton occurred near planting with futures prices near mid-to-upper sixty cents per pound. Since February 1999 cotton prices have floated down from \$0.65 to \$0.48 per pound. Currently, March '99 futures prices for the recently harvested (**1999**) crop were at **\$.51** (\$/lb) and December 2000 futures were at **\$0.56** at this writing. It appears we passed up some good opportunities to price this year=s crop at higher prices. Will we have the opportunity to price at those levels again? With the Adjusted World Price (AWP) significantly below the national loan rate (\$0.52) Loan Deficiency Payments have become an important source of safety net income for this crop. Unfortunately for South Carolina and Southern farms, one can only Apop@ what one grows. Southern yields and quality suffered severely in 1999. Low price, poor yield and quality have added up to make 1999 a tough year.

An increase in US cotton plantings, offset in part by lower yield in 1999 provides a smaller than average US production. Higher carry-in stocks and continued weak demand are affecting this market. Globally, stocks are slightly lower and trade is expected lightly higher in all markets except Europe and Latin American markets. China has become a net exporter, which has weighed heavily on this market. On net, we ' re expecting near two million bales more world exports from all sources. Most of the increase is accounted for with China ' s 1.2 mbl projected exports. Even with increased global production, world stocks by a projected to remain the same. Will the situation improve before it=s over? Let ' s hope so.

**Table 1. U. S. and S. C. Upland Cotton Harvested Acres, Yield and Production, 1990-98 average and 1999 Marketing Year Estimates. <sup>1/</sup>**

<b>Item</b>	<b>Units</b>	<b>Year</b>	<b>U. S.</b>	<b>So. Carolina</b>
<i>Acres Harvested</i>	<i>Thou. Ac.</i>	<b>1990-98 Avg.</b>	<b>13,200</b>	<b>240</b>
	<b>A</b>	<b>1999</b>	<b>13,410</b>	<b>315</b>
<i>Yield</i>	<i>Lbs/Ac</i>	<b>1990-98 Avg.</b>	<b>652</b>	<b>637</b>
	<b>A</b>	<b>1999</b>	<b>604</b>	<b>434</b>
<i>Production</i>	<i>Thou. Bales</i>	<b>1990-98 Avg.</b>	<b>17,590</b>	<b>323</b>
	<b>A</b>	<b>1999</b>	<b>16,880</b>	<b>285</b>

<sup>1/</sup> U. S. & S. C. data are from USDA-NASS and USDA-WAOB.

## *The 1999 U. S. and South Carolina Crop*

U. S. cotton production is currently forecast at 16.88 million bales (Mbl). This is a 4 percent reduction from the 17.59 Mbl production grown on average since 1990 (Table 1). The projected yield of 604 pounds per acre for upland cotton is also below the 90=s average of 652 pounds per acre.

### *1999-00 Cotton Utilization*

While domestic mill usage is projected to decrease slightly relative to 1998, exports are projected to rebound for the 1999 crop (Table 2). On the domestic side, mill usage is projected to take 10.2 million bales in the 99-00 market year.

**Table 2. U. S. Cotton Supply and Use, 1994-99.** <sup>1/2/3/</sup>

<b>Item/Mkt. Year<sup>2/</sup></b>	<b>Units</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Acres Harvested</b>	Mill Ac	13.32	16.01	12.87	13.27	10.68	13.41
<b>Yield</b>	Lb/Ac	708	537	707	680	625	604
<b>Carry-In</b>	Mill Bales	3.53	2.65	2.61	3.97	3.89	3.94
<b>Production</b>	Mill Bales	19.66	17.9	18.94	18.79	13.92	16.88
<b>U. S. SUPPLY</b>	Mill Bales	23.21	20.96	21.95	22.78	18.25	20.89
<b>US Mill Use</b>	Mill Bales	11.2	10.6	11.13	11.35	10.40	10.20
<b>Exports</b>	Mill Bales	9.4	7.68	6.87	7.5	4.34	6.20
<b>OFF-TAKE</b>	Mill Bales	20.69	18.28	17.99	18.85	14.75	16.40
<b>U. S. END STOCKS <sup>3/</sup></b>	Mill Bales	2.65	2.61	3.97	3.89	3.94	4.50
<b>U. S. FARM PRICE</b>	\$/Lb	0.72	0.75	0.69	0.648	0.602	0.47
<b>World End Stocks</b>	Mill Bales	28.89	36.16	36.4	41.13	41.60	41.34

1/ Source: USDA-WAOB Estimate Dec. 1999

2/ Marketing year 1999-00 estimates are current projections for August 1, 1999 to July 31, 2000

3/ Includes "unaccounted for" stocks

Export prospects for U. S. cotton remain sluggish but better. Production problems that plagued competitors= ability to export and turned some into marginal importers have abated. Chinese imports are currently set at -1.05 Mbals (net exporter), which is well below the 3.61 Mbals imported in 1996. This, along with generally weak Asian & Latin American economies, is pressuring export estimates. Will these markets recover? Let=s hope so. But, in the mean time let=s prepare for the alternative. China is the real wildcard.

With 1999 off-take projected at a weak (but improving) 16.40 Mbl, ending stocks are projected 4.50 Mbl. This accounts for the current \$0.47 /lb price. Should you sell any unsold 99 crop now or hold out? Current prices reflect a market consensus that has accounted the sluggish off-take. It's likely that any further increase in price will have to come from increased exports. Exports are weak currently -- but can they improve to push us to \$0.60 cotton? I think it highly unlikely in the short run. Holding out for \$0.60 cash cotton price would appear to be betting on an extreme long shot. My call would be to accept the current market & sell any remaining 1999 crop. Call options can be purchased relatively cheaply to re-open the top if better times come along. I'd chose July or October call options. This would carry us through the Aweather rally@ months.

### ***Prospects for 2000***

Any strength in the remaining 1999 crop market will lend support to 2000 crop prices. The size of the 2000 crop will be the primary market mover as we go from planting until harvest. My guess at the size of the 2000 U.S. crop is that the crop will remain a larger than average 17.7 Mbl range. This is production level is set assuming the following:

U.S. plantings at 14.6 million acres (ma) in 2000. This is based on a assumed slight increase in plantings beltwide because price plus pop keeps cotton RELATIVELY strong with a return to more normal yields;

Harvested acres will be 13.6 ma. This is the 14.6 ma planted adjusted downward by a five year average abandonment of slightly over 1 million acres; and,

U.S. average yield for 1999 assumed to be 650 pounds per acre (lb/ac). This is the 1990-98 average.

Needless-to-say, with world market conditions and global prices as they are, one should expect less world production in 2000 and global stocks reducing. This, one would hope, lead to world and U. S. stocks reducing and a bit of a price recovery.

In short, I'd not be too aggressively selling forward next year=s crop at current levels. One might consider covering some production with put options to place a floor under this market. A put would assure an approximate floor of \$0.52 /lb while leaving open the potential to gain on further market price strength. This combined with an LDP payment of 14 4 would get us near the 664 we need at minimum. Any further unpriced crop could be priced later. All of the crop could thus be priced for a minimum of the current level or better later. This presumably would cover a significant amount of cash costs we'll commit on the covered portion of the 2000 crop. And, hopefully we will see higher price levels later.

# ***Soybean Situation & Outlook for 1999-00***

**Charles Curtis, Jr.**  
**Extension Agricultural Economist**  
**Clemson University**

Soybean prices have shown the weakness that comes with continued huge acreage increases and near record yields in 1999. January 2000 futures prices for the recently harvested (**1999**) crop are currently at **\$4.56** (\$/bu) at this writing. Also, futures prices for the **2000** crop are currently trading **\$4.86** on the November, 1999 contract. This is a price one would generally expect given the U. S. and world crop size in 1999 and the projected carry into 2000 supplies.

## ***The 1999 U. S. and South Carolina Soybean Crop***

U. S. Soybean production in 1999 is currently estimated at an enormous 2.76 billion bushels, which is a 60 mbl increase over the previous production record in 1998 (Table 1). The called yield for the 1999 crop was 38.6 bushels per acre on a massive near 72 million acres harvested (over 11 million acres above the 1990's average). 1999 carry-in stocks were 348 million bushels. With the huge acres harvested, 1999 total supplies are set at a record 3.024 billion bushels.

***Table 1. U. S. and S. C. Harvested Acres, Yield and Production, 1990-97 Marketing Year Averages and 1999 Estimates.***<sup>1/2/</sup>

<b>Item</b>	<b>Units</b>	<b>Year</b>	<b>U. S.</b>	<b>So. Carolina</b>
<b>Acres Harvested</b>	<b>Thou. Ac.</b>	<b>1999</b>	<b>74,100</b>	<b>500</b>
		<b>90-97 Avg.</b>	<b>60,800</b>	<b>470</b>
<b>Yield</b>	<b>Bu/Ac</b>	<b>1999</b>	<b>36.7</b>	<b>20</b>
		<b>90-97 Avg.</b>	<b>36.4</b>	<b>22</b>
<b>Production</b>	<b>Thou. Bu.</b>	<b>1999</b>	<b>2,763,000</b>	<b>12,897</b>
		<b>90-97 Avg.</b>	<b>2,673,000</b>	<b>9,400</b>

1/ U. S. information from USDA, WAOB data;

2/ S. C. information from USDA-NASS, S. C. Agricultural Statistics Service.

In South Carolina, soybean acreage planted and harvested was set at 500,000 and 470,000 acres, respectively. This reflects an average abandonment of 30,000.

Adverse weather, particularly a hot and dry summer, which severely affected all soybeans, led to a state yield of 20 bushels per acre. This was two bushels lower than the 90's average 22 bushels per acre. South Carolina's production was set at 9,400,000 bushels, down nearly 3,500,000 bushels from 1990-98's average production.

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## 1999 Utilization

Both domestic utilization and exports are projected to absorb a great deal of this crop (Table 2). Domestic usage is projected to take 1.64 billion bushels in the 1997-98-market year. High domestic demand is expected to continue for soybean meal, fueled by existing and projected hog and poultry numbers.

**Table 2. U. S. Soybean Supply and Use, 1994-98 and 1999 Projection.** <sup>1/ 2/</sup>

<b>Item / Year</b>	<b>Units</b>	<b>94-95</b>	<b>95-96</b>	<b>96-97</b>	<b>97-98</b>	<b>98-99</b>	<b>99-00</b>
						<i>Est.</i>	<i>Projection</i>
<i>Acres Harvested</i>	<i>Mill Ac</i>	<b>60.9</b>	<b>61.6</b>	<b>63.4</b>	<b>69.6</b>	<b>71.6</b>	<b>72.8</b>
<i>Yield</i>	<i>Bu/Ac</i>	<b>41.4</b>	<b>35.3</b>	<b>37.6</b>	<b>38.9</b>	<b>38.9</b>	<b>36.7</b>
<i>Carry-In</i>	<i>Mill Bu</i>	<b>209</b>	<b>335</b>	<b>183</b>	<b>131</b>	<b>200</b>	<b>348</b>
<i>Production</i>	<i>Mill Bu</i>	<b>2,517</b>	<b>2,177</b>	<b>2,382</b>	<b>2,763</b>	<b>2,741</b>	<b>2,673</b>
<b>U. S. SUPPLY</b>	<i>Mill Bu</i>	<b>2,731</b>	<b>2,516</b>	<b>2,575</b>	<b>2,839</b>	<b>2,626</b>	<b>3,024</b>
<i>U. S. Use</i>	<i>Mill Bu</i>	<b>1,558</b>	<b>1,482</b>	<b>1,572</b>	<b>1,597</b>	<b>1,590</b>	<b>1,610</b>
<i>Exports</i>	<i>Mill Bu</i>	<b>838</b>	<b>851</b>	<b>882</b>	<b>873</b>	<b>801</b>	<b>865</b>
<b>UTILIZATION</b>	<i>Mill Bu</i>	<b>2,396</b>	<b>2,333</b>	<b>2,443</b>	<b>2,626</b>	<b>2,596</b>	<b>2,629</b>
<b>U. S. STOCKS</b>	<i>Mill Bu</i>	<b>335</b>	<b>183</b>	<b>131</b>	<b>200</b>	<b>348</b>	<b>395</b>
<b>U. S. PRICE</b>	<i>\$/Bu</i>	<b>\$5.48</b>	<b>\$6.72</b>	<b>\$7.35</b>	<b>\$6.47</b>	<b>\$4.93</b>	<b>\$4.45</b>
							<b>To \$4.95</b>

1/ US numbers from USDA, WAOB December 1999 and prior data.

Export prospects for U. S. soybeans are projected up at 865 MB. This is due in part to slightly weaker Southern hemisphere production prospects and improved Asian currencies vis-à-vis the U. S. dollar. Exports will continue relatively strong, in part, because the U. S. is the primary exporter of whole beans globally. Exports of 865 MB may be difficult to achieve if the world oil glut worsens. None-the-less, this projection is well over the recent average export performance of 755 MB.

With 1999 utilization projected at 2.6 billion bushels, ending stocks are projected at a larger-than-average 395 million bushels and a 14 percent stocks-to-use ratio. This is nearly the same from last year and provides a burdensome start for the 2000 crop.

Should you sell any unsold 1999 crop now or hold out for higher prices? (Hopefully we sold earlier!) Current prices reflect a market consensus that has probably completely discounted this year's large production. There is always a chance for a spring rally due to reports of adverse South American weather affecting their crop. There is also a chance for another May-June U. S. weather scare.



But with the turbulence that is possible in export markets, I'd tend toward a strategy of accepting current prices at a minimum by selling and reinvesting some of the crop proceeds in reopening the top by buying call options. July 2000 options don't expire until the end of June, which should provide sufficient time to benefit from any Latin or U. S. weather problems.

### ***Prospects for 2000***

As stated above, weather scares (here or in Latin America) could strength 1999 crop prices and lend support to 2000 crop prices. The size of the 2000 U. S. crop will be the primary market mover from planting until harvest. IT is unlikely that a lot of U. S. land would shift to corn next year given current price ratios. Weather and yield prospects will greatly affect soybean crop size. My guess at the size of the 2000 U. S. crop is that it will fall in the 2.5 to 2.7 billion bushel range. This production level is set assuming the following:

U. S. harvested acres at 72 million acres (ma) in 2000. This is based on no major shift expected in corn-soybean rotation patterns typical in the Midwest;

U. S. average yield set at 36 bushels per acre (bu/ac). This is a return to average yields (1990-98) and assumes that higher than trend yields (such as the 38.9 bu/ac produced in 1998) tend to return to trend in subsequent years.

Needless-to-say, with the larger carry-over stocks that we are currently projecting and market conditions as they are, there are numerous price pressures weighing on this market. However, based on recent history and South Carolina costs of production, current prices don't appear too great a place to start marketing some 2000 crop. It might be wise to wait and watch for better market opportunities for some of next year's crop in the spring. Again, I'd prefer buying put options or combining cash contracting with call option purchases (when the basis is favorable) if forward pricing is entered. With these methods, a floor is protected and the final price would be set later -- hopefully at much higher levels this summer.