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2018 Planning Prices for Corn and Soybeans

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As fall approaches, the time nears for determining 2018 cash rents and making initial acreage allocation decisions between corn and soybeans. Price expectations for 2018 will play a role in cash rent and acreage decisions. At this point, prices of \$3.80 per bushel for corn and \$9.50 per bushel for soybeans seem reasonable for use in 2018 planning. These planning prices are slightly above long-run projections made earlier in the year by the U.S. Department of Agriculture (USDA) and the Food & Agricultural Research Institute (FAPRI). The planning prices are consistent with current levels of Chicago Mercantile Exchange (CME) contracts expiring in late 2018.

Long-term Price Forecasts

Both USDA and FAPRI make long-run forecasts of corn and soybeans giving price forecasts for the next ten years. Forecasts are for marketing years, which begin in September and end in August for both corn and soybeans. USDA's forecasts are released in February. [The February 2017 USDA forecasts](#) are for Market Year Average (MYA) prices for corn to be \$3.35 per bushels during the 2018 through 2020 marketing years and then increasing slightly to \$3.50 in 2021 and \$3.55 in 2022. For soybeans, USDA projects a \$9.40 per bushel price for the 2018 and 2019 marketing year. MYA prices then increase to \$9.45 in 2010, \$9.50 in 2021, and \$9.55 in 2022.

[FAPRI releases its long-run prices](#) in March. FAPRI's projected prices are slightly higher than USDA's forecasts. For example, FAPRI projects the corn price for 2018 to be \$3.77 per bushel compared to a \$3.35 projection by USDA (see Table 1). For soybeans, the 2018 soybean projection from FAPRI is \$9.84 per bushel compared to a \$9.40 price for soybeans.

Both USDA and FAPRI are projecting relatively flat prices into the future. Corn prices are expected to be below \$4.00 for the foreseeable future, with prices moving to \$3.55 according to USDA and \$3.70 according to FAPRI. According to these projections, long-run prices for soybeans are expected to be in the mid \$9.00 range.

Commodity Future Prices

Commodity futures prices provide unbiased and efficient estimates of prices for coming time periods. The December 2018 future contract had a settlement price of \$4.21 per bushel on July 5, 2017. The \$4.21 price is an increase over recent settlement prices. In May and June, the December contract has been

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trading between \$3.95 and \$4.17 per bushel. Given typical basis, the \$4.21 futures price would be consistent with a cash price slightly below \$4.00 per bushel.

Table 1. Long-Run Projections for Corn and Soybean Prices made by USDA and FAPRI

Market year	Corn		Soybeans	
	USDA ¹	FAPRI ²	WASDE	FAPRI
	\$/bu	\$/bu	\$/bu	\$/bu
2018	3.35	3.77	9.40	9.84
2019	3.35	3.76	9.40	9.91
2020	3.45	3.71	9.45	9.79
2021	3.50	3.70	9.50	9.57
2022	3.55	3.71	9.55	9.53

¹ USDA, Long-Term Agricultural Projections, February 21, 2017

² Food & Agricultural Policy Research Institute, University of Missouri, U.S. Baseline Briefing Book. FAPRI-MU Report #01-17. March 2017.

The November 2018 future contract had a settlement price of \$9.87 per bushel on July 5, 2017. The \$9.87 price is above levels throughout much of May and June when November contract had prices between \$9.27 and \$9.65. A \$9.87 future price is consistent with a cash price near \$9.50 per bushel.

2018 Planning Prices

Given these long-term forecasts and current future price levels, planning prices of \$3.80 per bushel for corn and \$9.50 for soybeans seem reasonable. The \$3.80 price is somewhat conservative relative to current future price levels. This may be warranted given that futures prices have increased in recent days and because long-run forecasts are below futures price levels. The \$9.50 price for soybeans is consistent with current futures price levels and long-run forecasts.

A \$3.80 price for corn would continue a series of corn prices below \$4.00 per bushel that began in 2014, assuming that 2017 prices again will average below \$4.00 per bushel. The 2017 price assumption may be premature as we are entering the critical yield determination period for corn. It is possible that yields could vary from trend, resulting in a differing price scenario from that being projected. Prices near trend likely will again result in a below \$4.00 corn price for 2017, as is being projected in WASDE reports (*farmdoc daily*, July 5, 2017).

The \$9.50 soybean price for 2018 would continue a series of years in which MYA prices have averaged below \$10 per bushel beginning in 2015. MYA soybean price was \$8.95 for 2015. WASDE reports contain an estimate of \$9.55 for 2016. The range for 2017 is from \$8.30 to \$10.30, giving a midpoint of \$9.30.

Actual prices in 2018 have a large possibility of being different from these 2018 price projections. As has often happened in the past, some combination of events could lead to prices that differ from forecasts. Until those events materialize, using a \$3.80 corn price and \$9.50 soybean price for 2018 seems reasonable.

References

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