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At Farm Bureau: lower '09 crop & input prices forecast

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Prepare for lower crop prices in 2009 due to the global recession – offset somewhat by lower fertilizer prices. Farm income hit a record high in 2008 due in part to record prices for corn, soybeans and wheat, but an economist speaking at a crop outlook seminar at the American Farm Bureau's 90th annual meeting in San Antonio, Texas said farmers can expect lower prices this year.

Jim Sullivan, an agricultural economist and senior vice president of Informa Economics in Washington, D.C., said the global recession will mean weakening demand for corn, soybeans and wheat this year. For corn, the only strong driver for demand will be ethanol while biodiesel will be the top demand driver for soybeans. "Last year was a good year for U.S. farms, but declining prices cloud the 2009 horizon. Volatility is still there, and we will see declining prices from last summer's highs," Sullivan said.

"The only demand increase we can expect to see for corn this year and next year will be corn used for ethanol," he explained. In 2008, 30 percent of total U.S. corn production went to ethanol while it represented 35 percent of total domestic use. In 2009, ethanol is expected to climb to 34 percent of U.S. production and 38 percent of domestic use.

Sullivan sees a "decent" supply of soybeans in the United States and worldwide this year. The economist expects soybean prices, like corn prices, to be down in 2009. For wheat, there is an excess supply both in the United States and worldwide. "We will see stocks build for wheat, which should mean lower U.S. winter wheat plantings," Sullivan said.

One bright spot in the weak global economy for farmers is that fertilizer prices are coming down from last summer's record highs. Continued price softening is expected, and Sullivan encouraged farmers to delay their fertilizer purchases.