

Crop Prices Likely To Remain Strong In 2008, Economist Predicts

LITTLE ROCK, ARK.

Arkansas farmers are reaping long overdue high prices for their crops because of a bullish global market and a national push toward ethanol, and Dr. Bobby Coats, an economist, doesn't see those gains being derailed soon.

Coats, with the University of Arkansas Cooperative Extension Service, believes soybeans, wheat and corn will continue to show price strength as they battle for 2008 acreage.

Soybean prices are up 205 percent from their 2001 low, up 128 percent from two years ago and up 82 percent in the past year, he said.

"Most years, I consider soybeans as complementing rice production or being a complementary crop on a cotton farm, but with potential soybean pricing opportunities moving toward \$14 per bushel before planting, it surely gets one's attention," he said.

He said soybeans may look better on marginal acres than cotton or rice for some farmers, but "producers may be pleasantly surprised at pricing opportunities still ahead for rice and cotton."

One set of figures, he said, suggests that \$12-per-bushel soybeans at 45 bushels per acre would substitute for 1,062-pound-per-acre cotton at 77 cents per pound. Figures also show that \$12-per-bushel soybeans at 45 bushels per acre would substitute for 158-bushel-per-acre rice at \$5.06 per bushel.

How does a soybean/wheat double-crop compare to rice?

Twelve dollar per bushel soybeans and \$6.60 wheat at 41 bushels per acre each would substitute for 158 bushel per acre rice at \$5.22 per bushel.

"Meanwhile, wheat prices have shown amazing price strength," Coats said. "Winter wheat acreage has already been planted but the spring wheat planting still lies ahead in parts of the United States. Part of the current wheat

price strength is based on the possibility of losing acreage to soybeans."

Coats said wheat prices have had a great run in recent years.

They're up 276 percent from their 2001 low price, up 171 percent from two years ago and up 89 percent in the past year. Old crop wheat prices appear now destined to move past old crop previous highs before correcting.

"It's hard to think of corn without automatically thinking about the alternative fuel movement and ethanol," the economist said. "When you add the global economy's growing appetite for protein, you start to understand why the trend in corn prices remains up. Also, consider that corn must compete with soybeans and some spring wheat for acres. Also, producers need an additional price incentive to recover the inflated cost of fertilizer in producing corn."

Coats expects the trend in corn prices to remain until producers decide on their 2008 plantings, then he expects a correction, which would be followed by stronger prices.

Corn prices are up 169 percent from their 2001 low, up 131 percent from two years ago and up 25 percent in the past year.

"I expect that rice prices will remain competitive with soybeans, corn, and even a soybean-wheat double crop," Coats said. Rice prices are up 312 percent from their 2001 low, up 73 percent from two years ago, and up 36 percent in the past year.

Cotton prices have struggled, he said, but they're finally starting to move up.

He expects cotton prices to remain strong with the trend in cotton prices remaining up well into 2009. Cotton prices are up 148 percent from their 2001 low, up 25 percent from two years ago and up 28 percent in the past year.

Coats recommended that producers use professional marketing assistance in the form of co-ops, individuals or marketing firms. Δ