

2013 grain prices will be dictated by weather, economist predicts

December 13 2012, by Blair Fannin

Grain prices for 2013 will hinge on favorable weather patterns following the devastating 2012 drought in the Midwest, according to a Texas A&M AgriLife Extension Service economist.

"It's all about the weather," said Dr. Mark Welch, grains marketing economist. "You've got higher prices, and the yield potential is greater if they can get rain."

Texas farmers will plant more corn to take advantage of higher [grain prices](#) in 2013, Welch said.

"Sorghum is a better fit for a lot of areas of Texas and those marginal areas competing with cotton, so sorghum is a better alternative," he said. "If we get a lot of moisture, it will also benefit wheat and there will be a lot of incentive to keep that wheat crop for grain."

Welch said if favorable [weather patterns](#) develop in 2013, it will set up farmers to plant surplus acres of corn and other grains.

"I think we are going to see a huge increase in production of grain," Welch said. "Corn production in the U.S. was cut from 13 billion bushels to a 10.5 billion bushel crop due to [drought](#) this year. World production outside the U.S. set a record high for 2012 – the biggest corn crop ever outside the U.S., 22 billion bushels, and it will continue to increase."

Welch said the U.S. is importing Brazilian corn for livestock feeding

operations in U.S.

"For years, we have been the biggest corn producer, user and exporter; the U.S. was the world corn market," he said. "We continue to hold the leadership position in each of those categories, but with margins that are shrinking. World competition is on the increase."

Welch said with favorable weather and normal yields in 2013, production will be higher but so will use.

"Corn use will rebound as supply concerns ease," he said. "Corn use declined in every use category tracked by USDA due to high prices in 2012. Use will come back, though not as quickly as we may increase supply.

"I think that's the key for 2013. If we have a normal weather year, with more acres planted, supply will out run demand. If it gets dry again, supply remains a concern, and we could be right back to \$8 to \$10 a bushel for [corn](#)," he said.

Farmers looking for marketing options should consider taking profits a little along the way throughout 2013, Welch said.

"I think as we lay out the marketing year, there are key elements to watch as we move along the crop calendar do some pre-harvest marketing," he said.

Welch said if there is some profit farmers can lock into today, do so but don't take all of it at one time.

"Come February, we will have a good handle on what the South American crops will look like and early planting intentions surveys will be coming out for U.S.," he said.

By March and April, Welch said "we start to get reports related to planting pace, emergence and early crop conditions."

"As the year unfolds, these reports will give us some idea of yield prospects that will shape our price projections," Welch said. "If we are heading for increased supplies relative to demand, then farmers can do some aggressive marketing. If there are emerging production concerns, then it's best to hold on and see how things will play out."

Provided by Texas A&M University

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