

**"A Baker's Dozen"-Factors That Contribute To Low Grain Prices**

Since the world almost ran out of corn in 1996, and "Freedom-To-Farm" has become a reality, several other factors have developed that have caused the marketplace to reevaluate its perception of what is a proper price for grain. Listed below are many of the factors that I believe are at work in the marketplace. Some are old and some are new. Maybe we should call them "A Bakers Dozen"!

1. The augmentation of "Just-In-Time" inventory management is worldwide, not just in America.
2. The continued consolidation of the grain industry into fewer and stronger hands.
3. The continued rapid expansion of South America's capabilities and production, with no end in sight.
4. A continuation of the "Unofficial" policy of "Cheap-Food" that has always prevailed in America.
5. The establishment of WTO and NAFTA, which facilitates world trade, has enabled the rapid transfer of inventories from surplus countries to deficit countries, reducing the need for inventories.
6. Farmland's tax base, needing to be supported for all local governments' and schools sake, assures continued government subsidies for farm programs to American agricultural producers.
7. "Freedom-To-Farm" with its "Marketing-Loan" provisions provides a price ceiling rather than a price floor whenever ending-stocks rise above the "Bare-Bones" levels 1996 taught the market to accept.
8. A growing resistance in Europe and Asia toward GMO'S, and their desire to replace them.
9. The "Official" Washington policy of a strong Dollar, making our exports more expensive to importers.
10. The prevailing attitude of the world is to buy from America, only when they have to.
11. The rapid proliferation of information and its transfer on a worldwide basis.
12. The reality of almost running out of corn has enhanced the end users ability to manage inventories.
13. The reality of almost running out of corn has enhanced the end users ability to manage substitutions.

**Bottom Line:**

The overriding worldwide attitude of only paying up for grains when absolutely forced to, will likely continue to prevail. This requires the producer to be the ultimate holder of inventory, not the user. Therefore, the price patterns for deferred contracts will favor earlier premiums being built in, only to erode as time progresses. In view of these factors, selling deferred contracts and options, when at a premium over loan, should continue to be profitable.

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