

January 21, 2010

**A LITTLE BIT COUNTRY
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Plotting a Course for 2010

Planning for the future is a very challenging process. Some take the approach that we have little control of the future and planning is a waste of time. Because food production is so highly dependent on weather and we humans definitely have very little control over rainfall or heat units bestowed upon our crops, planning for the future does sometimes seem futile.

Most of us in agriculture production are a bit weak on our patience to gather appropriate information to develop financial plans. We just have a preference to roll-up our sleeves and complete the task at hand. However, as I look back over the past four decades, it appears to me that those who take time to look into the future and build business plans supported by the best information available are most likely to achieve a desired level of success.

Predicting farm commodity prices is almost as elusive as the weather. However, we do have access to information that might help. The NDSU Extension Service has prepared a summary of projected short and long term planning prices. This summary of projected prices can be found on our website: www.ag.ndsu.edu/williamscountyextension.

The NDSU staff (Haugen, Petry, Olson, and Aakre) suggests different uses for the short and long term prices. The estimated short-term planning prices should be used as a guide in setting price expectations for 2010 production. These planning prices can be used for preparing annual enterprise budgets and annual whole-farm cash flow projections. They strongly suggest short-term planning prices should not be used for planning capital purchases or expansion alternatives that extend beyond the next production year. Unfortunately, the use of short-term planning prices to make long-term decisions is common. They emphasize this practice is not recommended because current

supply/demand conditions rarely continue for long periods of time and are a poor indicator of future trends.

The long-term planning prices are valuable for evaluating alternative plans that affect the farm or ranch business for more than one year. They were derived from annual average price forecasts made by the Food and Agricultural Policy Research Institute (FAPRI). The U.S. price estimates reported in the 2009 Baseline Briefing Paper, November 2009, were adjusted using historical relationships to reflect North Dakota farm gate prices.

Also, reported for reference are historical prices. The historical crop, cull cow and slaughter hog prices were obtained from "North Dakota Agricultural Statistics 2009". The historical feeder steer prices are from Kist Livestock Auction, Mandan, ND.

For the 2010-11 marketing year, the NDSU ag economists project North Dakota durum at \$6.20 and 500-600 pound feeder steers at \$110.00 per cwt. Long term projections are \$7.12 and \$122.60 respectively. The durum wheat price is calculated based on its historical relationship to North Dakota spring wheat. Over time, the price of durum has been 1.3 that of spring wheat.

Other crops included in the projection publication are spring wheat, barley, (feed and malting) sunflower, corn, canola, flaxseed, winter wheat, dry beans, peas and hay. It is unrealistic to hold any of the authors of these planning prices to the fire but the projections do represent the thinking of many folks on both the state and national levels who spend a lot of time studying agricultural commodity markets.

Also on our website is the "Projected 2010 Crop Budgets for Northwest North Dakota". This publication provides an estimate of revenues and costs for selected crops.

Hard copies of both publications referenced in this writing also are available from our office (701-577-4595) at no cost.