


MESSENGER-INQUIRER

 Cooperative
Extension Service



Farm Update

daviess.ca.uky.edu

AGRICULTURE & NATURAL RESOURCES
EDUCATION

Clint Hardy

Daviess County Extension Office

July 6, 2024

The Seasonality of Grain Market Prices

Dr. Grant Gardner, Extension Grain Marketing Specialist for the Department of Agricultural Economics at the University of Kentucky, wrote the following article. It's the second in the Department of Agricultural Economics' Economic and Policy Update grain marketing series, focusing on seasonality and how it can inform marketing decisions.

At its base, seasonality indicates that commodity prices are typically lower at harvest. Lower harvest time prices are typically caused by the large influx of supplies at harvest. In this article, I use average monthly price indexes to determine soybean seasonality for the 2010s, indicating that May, June, and July are often the best times to pre-market soybeans. I additionally compare May and October sales using November Soybean futures and suggest that a sale in May has returned \$1.15/bu more on average than pricing grain at harvest delivery.

As we move away from supply and demand shakeups such as COVID-19 and the Russia-Ukraine invasion, I expect seasonal prices to reflect those of the 2010s. Inspecting the seasonal average from 2010-2019 indicates that cash prices increased at harvest only 20% of the time. 2010/11 and 2019/20, the only two marketing years prices increased at harvest. As expected, the average index indicates prices increase through July before decreasing at new crop harvest. On average, the best time to sell soybeans is July; however, this is not always the case. For example,

MESSENGER-INQUIRER

in five of ten years, the monthly index peaked in May or June, making those the better months to market soybeans than July in some years.

In comparing seasonality in pre-harvest marketing, I compare November soybean futures on May 15 and October 15. I chose May 15 because prices become more volatile in June and July due to weather challenges. Even though prices are higher on average these months, looking at the price for one day could be a poor indicator of price. Through the 2010s, futures prices were higher on May 15 60% of the time; however, through 2023, which includes COVID and the Russia-Ukraine invasion, prices were only higher in May 50% of the time. The more important part of this analysis indicates that price increases in May far outweigh declines in May. The average decline from May 15 to October 15, results in an average loss of \$1.15 per bushel. The average increase, is \$2.35, indicating an average gain of \$2.35 when prices increase. Thus, even though prices were higher on May 15 only 50% of the time, always marketing on May 15 would result in an average \$0.50/bushel gain.

Seasonality is a huge aspect of grain marketing and should inform all grain marketing decisions. As basic economics suggests, prices decline when supply is high, and in the United States, supply peaks at harvest. Seasonal averages indicate that the highest soybean prices typically occur in May, June, and July. These months are likely the time to lock in the highest prices when pre-harvest marketing soybeans.

Dr. Gardner will be at the Daviess County Cooperative Extension office at 7:00 p.m. July 22 to discuss the national crop condition, current supply and demand estimates, and thoughts on marketing plans leading into harvest.

Annual Soil Health Field Day

MESSENGER-INQUIRER

No one wants to see soil eroding from land. While we are blessed with deep soils, the topsoil layer is relatively thin. Many fields have areas where subsoil is now the surface. Eroded land is unfortunately a part of farming in this area, but there are options to improve it. The first is to stop tillage on hillsides and slopes. The second is the prolific use of poultry litter to increase organic matter. The third is to routinely plant cover crops in areas prone to concentrated or rapid water movement from the field.

Several farms are doing a great job keeping soil in place using those practices, including the Paul and Mike Scherm farm in Sorgho. A Daviess County Soil Conservation District Soil Health Field Day will be at 9:00 a.m. July 17 at their 3220 Hayden Bridge Road farm location. The day includes discussion of their adopted practices, information about grants available to purchase cover crop seeding equipment, and soil pits to reveal how soil structure has changed on the property since implementing annual cover crops. No preregistration is required. Plan to attend and learn how to improve your land.

The Martin-Gatton College of Agriculture, Food and Environment is an Equal Opportunity Organization with respect to education and employment and authorization to provide research, education information and other services only to individuals and institutions that function without regard to economic or social status and will not discriminate on the basis of race, color, ethnic origin, national origin, creed, religion, political belief, sex, sexual orientation, gender identity, gender expression, pregnancy, marital status, genetic information, age, veteran status, physical or mental disability or reprisal or retaliation for prior civil rights activity.