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Milo prices with the Farm Bill?¹

Dr. Barnaby

I am curious about your milo price in your updated payment calculator (3/2/15). How does milo basis enter in to the price? As you probably know the basis exploded this fall and made milo upwards of a dollar a bushel above corn, thanks to China demand. Does Basis enter in and if so is your projected price correct?

Thanks in Advance

Sorghum Grower

Dear Sorghum Grower,

I am using history to estimate the prices and weights. The Dec. and Jan. NASS sorghum prices are about 32 cents higher than corn, so I think you are right, I need to adjust the model on sorghum. I still don't expect this basis to remain, because one would think that in the USA, people will start feeding corn rather than sorghum and the prices would move back to their traditional relationship.

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Over the past two months, NASS has the sorghum price about 30 cents higher than corn. At these levels, that would put the MYA national average sorghum price over the reference price of \$3.95 and no 2014 PLC payment on sorghum. If the next NASS price on March 30 holds this premium to corn, I will adjust my model.

However, I still expect the sorghum-corn price to return to their normal price relationship in the years 2015 and beyond. But clearly the sorghum price premium will be negative to any 2014 sorghum PLC payment. Because farmers have to sign up for the five years, and if we assume a return to a normal sorghum-corn price ratio, then sorghum will have the better chance of PLC payments than the other crops because sorghum has a 25 cent higher reference price.

My other concern is the estimated weights on sorghum. The last two months of the marketing year have had much larger weights than was true historically. This is something that has changed in the last 3 years, and it could move the sorghum price. The weights on the other crops have not changed much over the years.

Thanks for the question.

AB