

Grain prices will remain high during the 2022 marketing year

This week, continuing our examination of four crises facing food and agriculture we turn our attention to what the executive director of the World Food Programme, David Beasley, has described as the food affordability crisis. In his analysis, this crisis was triggered by the Russian invasion of Ukraine on May 24 of this year and the partial embargo of Russian grain and natural gas led by the United States and the European Union.

Suddenly, grain stocks that a number of nations have traditionally depended on to feed their people were no longer available in the marketplace. That left grain and vegetable oil users bidding for a smaller available supply. Prices increased quickly and dramatically.

The January 2022 issue of WASDE (World Agricultural Supply and Demand Estimates) prepared and released by the World Agricultural Outlook Board of the United States Department of Agriculture (<https://tinyurl.com/kztj94z2>) projected the price of wheat for the 2021 crop marketing year at \$7.05/bushel, \$2.00 higher than the 2020 crop year as the result of lower US carryover stocks and production.

The most recent issue of WASDE (July 2022) pegs the 2021 crop year price at \$7.63 and projects a 2022 season average price of \$10.50/bu. with lower beginning stocks and higher US production. The 2022 projected price for a bushel of wheat is more than double the \$5.05 US farmers received for their 2020 wheat crop.

As we began to prepare to write this column, a news headline in the Washington Post announced, “Russia and Ukraine agree to release blockaded grain exports.” That caused us to rethink what we might say in this column. A day later Russian missiles targeted the Black Sea port of Odessa. As we write this column, the state of the blockade and agreement is not clear.

These developments only underscore the instability of 2022 crop marketing year wheat exports. Even under the most optimistic conditions, it is difficult to foresee a major reduction in the price of wheat and other embargoed agricultural products this crop year. The 2022 crop marketing year began June 1 for wheat, barley and oats and will begin September 1 for corn and grain sorghum.

Under current conditions, will Russia find ways to move grains and fertilizer products into world markets? Will Ukraine and the EU find ways to move Ukrainian grain overland and through Poland to world markets? We suspect that the answer in both cases is a qualified “yes.” Some grain and fertilizer will move into international channels, but it probably will not be enough to significantly change the price outlook for the 2022 crop marketing year.

The question for farmers in non-combatant countries is whether the increased marketing year price is high enough to offset higher production costs.

For leaders in nations like Bangladesh, Egypt, Indonesia, and Pakistan the challenge is finding enough grain to feed their citizens, which we will discuss further in next week’s column.

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