

BALANCE SHEETS

Total Supply = Production + Stocks + Imports

Production:

Harvested (or Planted) Acres x Bu/Acre

Stocks:

Carryover (Bu)

Imports

Total Utilization = Feed/Food + Exports

Carryover_{t+1} = Supply – Utilization

Stocks/Use Ratio and Monthly Reserve

$\frac{\text{Carryover}}{\text{Utilization}} \times 52 = \text{Months reserve}$

PRICE FORECASTING

Flexibility = $\frac{\% \text{ Change in Price}}{\% \text{ Change in (for example) Quantity}}$

Predict % changes with respect to previous year:

Price Forecast for Corn

| <u>Year</u> | <u>Quantity</u> | <u>Flex</u> | = | <u>Price</u> |
|----------------|-----------------|-------------|---|--------------|
| 2001-02 | - 2.0% | -3.0 | = | 6.0% |
| 2002-03 (low) | -12.5% | -3.0 | = | 37.5% |
| 2002-03 (med) | - 8.3% | -3.0 | = | 24.9% |
| 2002-03 (high) | - 5.0% | -3.0 | = | 15.0% |

Predicted corn price in 2002-03

= (Price in 2001-02) x (1 + % price change/100)

= (1.97) x (1 + 0.249) = \$2.46