

PRX Crop Cost of Production Data Base Concept

The ProExporter Network® (PRX) would like to develop a 10-year historical and one-year forward-looking data base of crop production costs for major grain and oilseed crops in the three major world export hubs of the US, South America, and the Black Sea. PRX can provide data and expertise for the US and is seeking partners to provide similar data and expertise covering South America and the Black Sea. The goal is to have the “Gold Standard of Crop Production Cost Information.” The methodology would be to create a central database of crop production costs denominated in local currencies. These would be (1) collected and transmitted by the participating partners from each region, (2) managed electronically and analyzed by PRX in Chelsea, MI, and (3) reported to all participating partners as summaries of costs in all countries on a regular basis. For example, Argentine data would be sent to the PRX database from Buenos Aires, the data would be collated and summarized, and reports of those data would be available to all other partners for use by their proprietary clients. Each partner has local expertise and the sharing builds a bridge among the export hubs so that crop cost information and comparisons are available to all. PRX will compile, analyze and report results in tables, charts and graphs via PDF and/or PowerPoint documents as appropriate. The analysis will evolve over time as we get feedback from partners and clients. Distribution of reports will be from PRX to Partners. Partners will then transmit to reports to their respective clients. This professional networking arrangement is designed to pool our local expertise into a comparative report useful for all members. It is not an effort to pool our respective clients. Each partner’s client relationships will be respected.

PRX is a private US corporation dedicated to providing its agribusiness clients advice and economic research focused on U.S. grain flows, biofuel production/distribution, transportation demand, government policy, and the impact of these items on physical grain markets. For twenty-eight years, it has worked with farm groups, grain merchandisers, transportation companies, and ethanol manufacturers to help them understand changing agricultural markets. Using proprietary satellite technology, PRX advised most of the companies that built US dry-mill ethanol plants in the US since 2000, helping them select the best locations for adequate grain supplies and for reliable rail and truck delivery of feed stocks and distribution of finished ethanol and co-products. The PRX Blue Sky Model, a ten-year projection of grain/oilseed/biofuel supply, demand, and prices, PRX delivers advice about grains/oilseed prices for long-term planning for the US Grains Council, the US Soybean Export Council, the U.S. Corn Growers Association, and the US Meat Exporters Association. PRX also has a long, close relationship with the US Renewable Fuels Association and Growth Energy. In the late 1980s, Bill Hudson, the founder of PRX, consulted for several years to the Chief Economist of USDA and wrote a 100-page briefing booklet published by USDA-ERS called "The Basic Elements of World Agricultural Competitiveness—Economics and Policy, Geography, and History." Bill spoke on his theory of "political episodes in the grain trade" at the KC Federal Reserve Bank Summer Ag Seminar in 2012, and was keynote speaker in December 2015 for the National Grain and Feed Association's annual conference.

We envision the collaboration will be based on a memorandum of understanding that is not a legal contract, but a definition of how the group will work together. The crops to be covered, the costs of production inputs, and the types of land ownership will need to be defined. It is possible that PRX can maintain a separate source for currency translation, based on the way futures clearing firms collect and use daily currency market prices from the London or New York

InterBank market for risk management analysis and margin requirements. This would allow any partner to ask PRX to produce reports on production costs for each country in dollars, euros, rubles, pesos, hryvnia, reales, or other chosen currencies.

Cost of production estimates would include the standard input costs of seed, chemicals, labor, machinery, taxes, etc. Land cost via ownership or rent would be shown separately. The most important crops in individual countries would include wheat (winter and spring calculated separately), corn, soybeans, barley, sunflower, rapeseed, and sorghum. Other crops that could be included would be legumes, millet, oats, and durum wheat. We believe using a national annual average cost of production would be most helpful and minimize data processing and simplify analytical reports. We in the US recognize there are important geographic cost variations within your countries that affect farmer cropping decisions that are important in your consulting businesses. We would be happy to collect those geographic differences from you, but also will need a national average. We also recognize it is important to calculate costs for owned-land and for rented-land. To prove this cooperative arrangement among partners can work we will concentrate our early efforts on corn, soybeans and then wheat. After successful completion of these crop reports we will continue on to the other principal crops mentioned above.

We envision keeping cost data in metric tons/HA denominated in your own currency, based on most recent exchange rate values at time of submission. We will produce analytical reports in both MT/HA and in Bushels/Acre for ease of use in any of the export hubs. We also envision developing reports that calculate gross margin per HA and per acre, using in-country farm prices. PRX will depend on your best judgments as to what those prices should be.

We believe these cost data would be collected twice annually – once in January and once in July, but we are open to discussion about these, if you believe other dates work better for you. There would be no cost to any partner for participating in the collaboration other than for the work you normally do for your businesses and the time it takes to submit them to PRX.

Each partner will have the option to be identified as the contributing source of data used in the reports. PRX will be including a copyright notice at the bottom of each page for the reports distributed to our clients who are mostly based in the US and Asia.

A partner may choose at any time to stop cooperating on this joint crop cost of production reporting effort with email notification to PRX. We are including with this introductory letter a copy of a PRX report currently being published with examples of crop cost of production analysis.

PRX has four client meetings every year and the partners would be welcome to one or two complimentary registrations at those meetings, if your travels include a visit to the US. Two of the meetings include up to 400 attendees, the other two are smaller planning meetings. Topics include (1) US government grain, oilseed, and ethanol policy, (2) reviews of market developments in Black Sea and South American export hubs, (3) examination of Chinese market/regulatory developments, (4) reviews of US grain market crops, prices, and transportation, and (5) discussion of new factors affecting agriculture.