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STATE SENATOR • 17TH SENATE DISTRICT

Capitol Update

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Corn: The Original Economic Indicator

If the height of corn were our only economic indicator, our financial future would look very bright this year. As I drove through the 17th Senate District this past weekend, the phrase “knee-high by the 4th of July” reverberated through my mind. I hopped out of my truck and stood next to a plot on my property to measure and I can report that the corn is already over my head; significantly past it’s 4th of July milestone.

This colloquial Wisconsin saying is something we all think about this time of year as we consider the status of agriculture in our communities. If it were the only economic indicator for the agricultural economy, we would be very optimistic. Unfortunately, there are other factors in play that we must consider.

While the weather has been perfect so far this year and the height of corn everywhere shows us that we’re more than on track for good production, we have a long way to go before our crops are in the bin. We continue to be at the mercy of temperatures, storms and rainfall as well as the speculation of the commodities market.

The commodities market is volatile and can be impacted by many different factors. One of the largest factors is supply that outweighs demand if crop yields overwhelm the market. It’s not just local or even domestic demand that impacts commodities, its demand from all over the world. When production is strong in other parts of the globe, our markets are impacted. When demand changes, for a wide variety of reasons, our markets are impacted. Unlike manufacturing, a soft commodity, such as corn or soybeans are impossible to manage on a supply-and-demand basis. Once the crops are in the field, they become supply.

The market can also be impacted by the strength of the dollar, which moves based on politics, trading and other seemingly unrelated global issues. The most recent decision by the United Kingdom to exit the European Union will impact commodities. We just don’t know how and to what extent at this time.

In addition, commodity prices often adjust based on long-range weather issues such as droughts or significant storms that could damage crops.

Farming is risky business that is at the mercy of nature, consumers and forces beyond an individual person’s control. A farmer I know was once asked if he wanted to join a poker game and his reply was, “I don’t need to join the game to gamble, I’m a farmer.”

The farmers in our communities are working hard to grow their crops and animals this summer and are hopeful that prices will insure a good year, financially, for their businesses. Whether we work in the fields and barns, or not, the success of local agriculture means something to every one of us.

The successes and failures of the agricultural industry have a direct impact on the rural, main street economy. When farm economies are strong, farmers spend money. When farm economies struggle, farmers pull back and conserve. These responses directly impact our local grocery stores, farm equipment dealers, restaurants and small businesses.

As we drive through the 17th Senate District and measure the height of the corn, soy beans and wheat, let us also remember all of the risk and faith each of our farmers employ every single day of this growing season. Thanks farmers!

For more information and to connect with me, visit my website <http://legis.wisconsin.gov/senate/17/marklein> and subscribe to my weekly E-Update by sending an email to Sen.Marklein@legis.wisconsin.gov. Do not hesitate to call 800-978-8008 if you have input, ideas or need assistance with any state-related matters.

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