

MANAGING CROP RISKS in VOLATILE TIMES

June 7th, 2011

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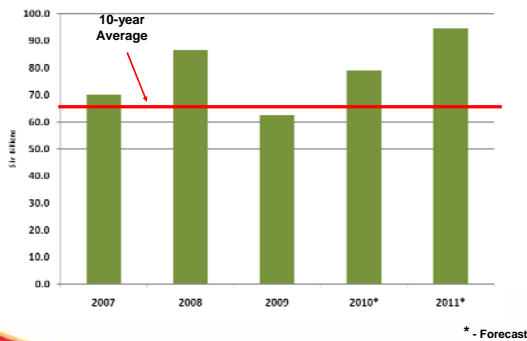
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Presentation Objectives

- Review Net Farm Income and Expense Trends
- Review the latest U.S. Supply/Demand and 2011 Price Forecasts for Corn & Soybeans
- Highlight 5 Crop Related Uncertainties
- Discuss Producers Tendency to Manage Margins by Silos
- Implement a Strategic Plan
- Summarize with 5 Strategies and 5 Websites

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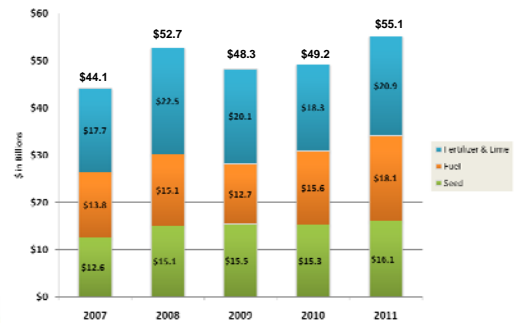
U.S. Net Farm Income Trends



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Source: USDA Economic Research Service, Feb. 2011

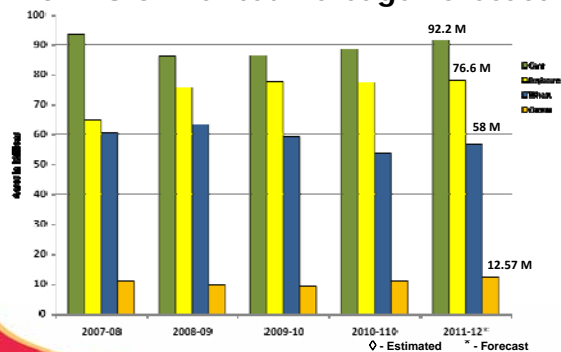
U.S. Farm Production Expense Trends



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Source: USDA Economic Research Service, Feb. 2011

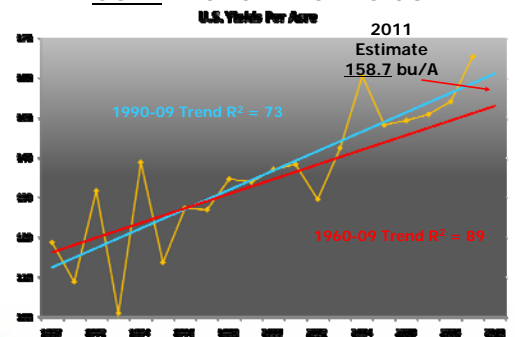
2011 U.S. Planted Acreage Forecast



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Source: USDA WASDE, May 11th, 2011

Corn Trend Line Yields



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Source: USDA WASDE, May 11th, 2011

2011 U.S. Acreage & Yield Matrix

Planted Corn Acres	Harvested Acres For Grain (92%)	4 bu/A Below Trend	2-bu/A Below Trend	Trendline Yield
<i>In Millions</i>	<i>In Millions</i>	158 bu/A	160 bu/A	162 bu/A
89	81.9	12.9	13.1	13.3
89.5	82.3	13.1	13.2	13.34
90	82.8	13.2	13.25	13.4
90.5	83.3	13.16	13.33	13.5
91	83.7	13.2	13.4	13.6
91.5	84.2	13.3	13.5	13.64
92	84.6	13.37	13.54	13.7

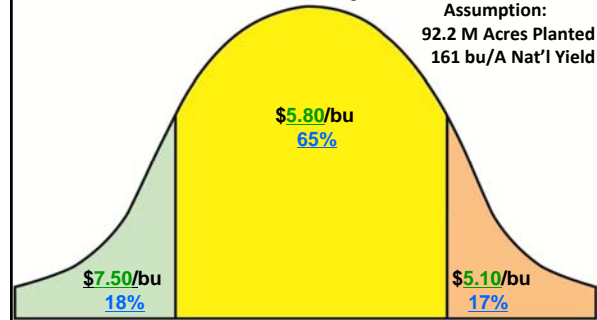
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Source: USDA WASDE & ISU Extension, May 2011

Corn Cash Price & Probability Forecast

'11-'12 Marketing Year

Assumption:
92.2 M Acres Planted
161 bu/A Nat'l Yield



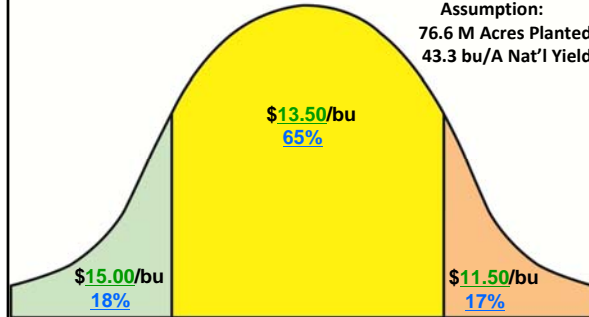
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Source: Wisner, ISU Biofuels Economist, April 20th, 2011

Soybean Cash Price & Probability Forecast

'11-'12 Marketing Year

Assumption:
76.6 M Acres Planted
43.3 bu/A Nat'l Yield



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Source: Wisner, ISU Biofuels Economist, April 20th, 2011

Price Outlook: More than Supply/Demand Fundamentals

1. Global Demand (exports and feed retoning)
2. Hedge & Index Fund Positions
3. Technical Signals and Price Volatility
4. Outside Markets: (Crude Oil, U.S. Dollar Value Index, Precious Metals)

5. Global Supply (acreage & yield)
6. U.S. & Global Economic Recovery
7. Biofuel Tax Credits Extension beyond 2011 & Renewable Fuels Standard (RFS) Mandate
8. Random Shocks (Egypt, Libya, Iran, etc.)

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Source: Johnson, ISU Extension, June 2011

5 Crop Related Uncertainties

- Global Economic Stability
- Government Debt and Expenses
- Funds' Risk Aversion
- Inflation and Interest Rates
- Weather



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Source: Johnson, ISU Extension, June 2011

Move Beyond Silo Management

Learn to Combine:

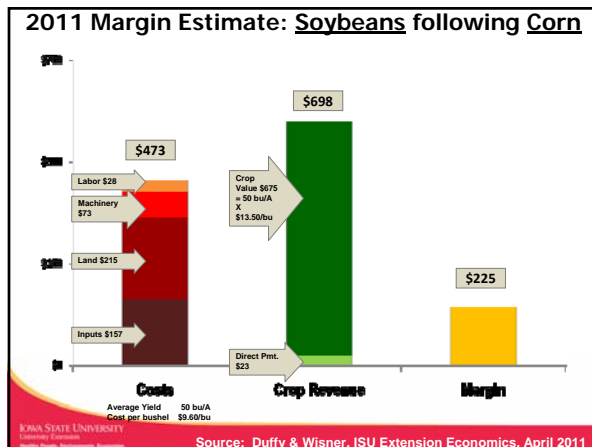
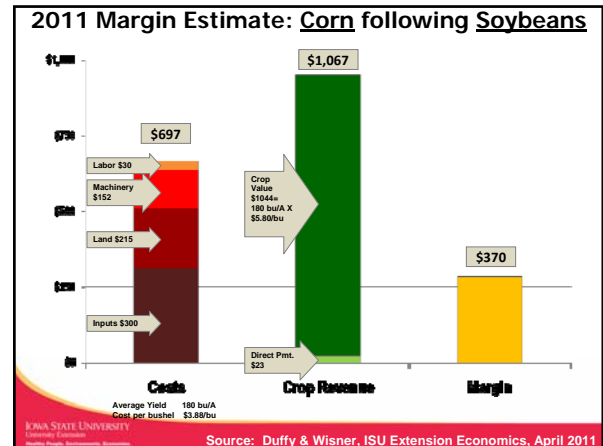
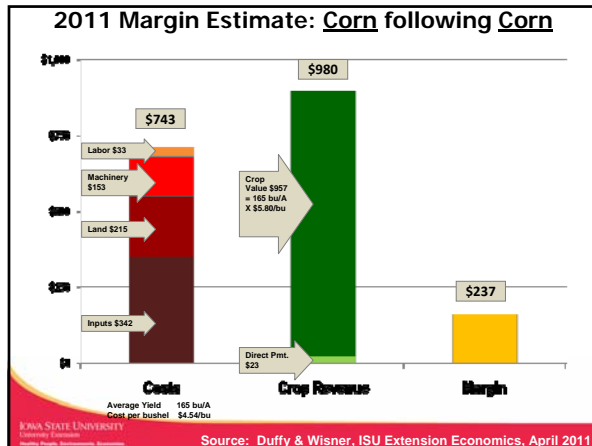
- Costs
- Crop Revenue
- Margins

Learn to Protect Profits
Separate Delivery vs.
Non-Delivery Bushels
Create Price Floors



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Source: Johnson, ISU Extension, June 2011



Implement a Strategic Plan

- Know Your Costs: by Crop, by Farm and by Rotation
- Estimate Your Margins
- Utilize Crop Revenue Insurance
- Use a Variety of Marketing Tools
- Sell Incrementally to Match Your Cash Flow Needs

Source: Johnson, ISU Extension, June 2011

5 Crop Management Risk Strategies

Learn to Use a Variety of Marketing Tools

Plan Ahead for 2011 & 2012 Income: Maintain Adequate Working Capital

Build Knowledge & Trust with Landlords, Suppliers, Merchandisers & Lenders

Secure Rented Farmland Multi-Year

Use Government Farm Programs: * Crop Insurance

Source: Johnson, ISU Extension, June 2011

5 Crop Risk Management Web Sites

- ISU Ag Decision Maker – Extension Economics www.extension.iastate.edu/agdm
- Farm Doc – U of IL Extension Economics www.farmdoc.illinois.edu
- Ag Manager – Kansas State Extension Economics www.agmanager.info
- Center for Farm Financial Management – U of MN www.cffm.umn.edu
- ISU Center for Agricultural Law and Taxation www.calt.iastate.edu

Source: Johnson, ISU Extension, June 2011