Crop Risk Management

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Five Megatrends

1. Global Recession
2. Federal Government Borrowing
3. Decreased Meat Demand
4. Crop Price and Input Cost Volatility
5. Global Competition

Source: Johnson, ISU Extension, December 2009
World Corn Production 2009-10

Source: USDA World Agricultural Outlook Board, October 2009
World Soybean Production 2009-10

- United States: 36%
- Brazil: 25%
- Argentina: 21%
- India: 4%
- China: 6%
- Other: 8%

Source: USDA World Agricultural Outlook Board, October 2009
Five Farm Challenges

1. Large 2009 Crop Production
2. Corn Quality Concerns
3. Farm Financial Uncertainty
4. Increased Counter Party Risk
   a) Prepaying Expenses
   b) Contracting Outputs
5. Farm Expansion or Contraction?

Source: Johnson, ISU Extension, December 2009
U.S. Farm Debt to Equity

Source: USDA Economic Research Service, November 2009
U.S. Net Farm Income Trends

Source: USDA Economic Research Service, November 2009

* - Forecast
U.S. Farm Debt to Income Ratio

Debt: Income Ratio

Year (1972-2008)

3 Questions Remain to be Answered

1. How soon will Net Farm Incomes Rebound?

2. What will happen to Land Values?

3. How soon and by how much will Interest Rates Increase?

Source: Klinefelter, Texas A & M Economist, October 2009
Corn Yields Projections: U.S. & Iowa

U.S. avg. growth, 2010-19: 2.08 bu./yr.

2010: 165.0

2019: 185.8

Source: Westhoff, FAPRI, U of MO, December 2009
Soybean Yield Projections: U.S. & Iowa

U.S. avg. growth, 2010-19: 0.37 bu./yr.

2010: 43.7
2019: 47.4

Source: Westhoff, FAPRI, U of MO, December 2009
Corn Estimates through 2010-11

Correlation of Corn to Crude Oil

Corn price is nearby futures price. Petroleum price is for West Texas Intermediate. Sources: USDA and EIA

Source: Westhoff, FAPRI, U of MO, August 2009
Crude Oil Price Outlook

Source: Westhoff, FAPRI, U of MO, August 2009
Crude Oil Chart

Weekly Chart: Crude Oil

"Jim Wyckoff on the Markets"
www.jimwyckoff.com

Support at $65.00 area

Resistance at $82.00

Source: www.jimwyckoff.com, December 2009
Ethanol Plant Margins

Source: ISU CARD, August 2009
Renewable Fuels Standard (RFS)

Crop Year  | Billion Bushels
---|---
2008  | 3.57
2009  | 4.11
2010  | 4.43
2011  | 4.64

Source: Hart, ISU Extension Economist, August, 2009
New Crop ‘10 Corn Chart

December Corn

Solid resistance at $4.15

Solid support at $3.75

"Jim Wyckoff on the Markets"
www.jimwyckoff.com

Source: www.jimwyckoff.com, January 25, 2010
New Crop ‘10 Soybean Chart

November Soybeans

Psychological resistance at $10.00

Psychological support at $9.00

"Jim Wyckoff on the Markets"
www.jimwyckoff.com

Source: www.jimwyckoff.com, January 25, 2010
Soybean Estimates through 2010-11

2010 Crop Insurance Decisions

- Unit Coverage?
- Biotech Endorsement?
- Crop Hail Coverage?
- Federal Crop Coverage (65% - 90% Levels)

Source: Johnson, ISU Extension, January 2010
## 2010 Crop Insurance Indemnity Prices

<table>
<thead>
<tr>
<th></th>
<th>APH (Yield)</th>
<th>Revenue</th>
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<tbody>
<tr>
<td><strong>Corn</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$4.00</td>
<td>$4.04</td>
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<tr>
<td>2010</td>
<td><strong>$3.90</strong></td>
<td>Dec. Corn futures in the month of February</td>
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<tr>
<td><strong>Soybeans</strong></td>
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<tr>
<td>2009</td>
<td>$9.90</td>
<td>$8.80</td>
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<td><strong>$9.15</strong></td>
<td>Nov. Soybean futures in the month of February</td>
</tr>
</tbody>
</table>

Source: USDA Risk Management Agency, December 2009
**New Crop Corn Seasonal Trend**

Chicago December Corn Futures, 1990-2009 average

80% Odds that Spring Price is higher than Fall

Source: www.cmegroup.com U of MN, CFFM, 2009
75% of the Time the Spring Price is higher than Fall

Source: USDA Risk Management Agency, October 2009
New Crop Soybean Seasonal Trend

67% Odds that Spring Price is higher than Fall

Source: www.cme-group.com U of MN, CFFM, 2009
Soybean Historical Crop Insurance Prices

60% of the Time the Spring Price is higher than Fall

Source: USDA Risk Management Agency, October 2009
Crop Revenue Insurance Coverage (with SURE)

CRC or RA Coverage
170 bu/A APH
75% Level
$4.00 bu/A Spring and Fall Price

SURE Coverage
115% of Revenue Coverage

Source: Johnson, ISU Extension, January 2010
Comparing ACRE to CCP

Counter-Cyclical Payment (CCP)
Nat’l Cash Price below:
Corn = $2.35 /bu
Soybeans = $5.56 /bu

2010 ACRE Cash Price Triggers:
Corn = $3.35 /bu
Soybeans = $8.55 /bu
5 Crop Risk Management Strategies

- Use Profit to Expand Your Operation
- Increase Your Crop Risk Management Knowledge
- Focus on “Mitigating Crop Risks”
- Implement a Marketing Plan Early
- Utilize Crop Revenue Insurance Products

Source: Johnson, ISU Extension, January 2010