Corn & Soybean Outlook: Delayed Soybean Planting Decisions: June 17 Edition

Chris Hurt, Michael Langemeier and James Mintert

Professors of Agricultural Economics

Purdue University

PURDUE UNIVERSITY | Center for Commercial Agriculture

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June 17, 2019 USDA *Crop Progress* Report

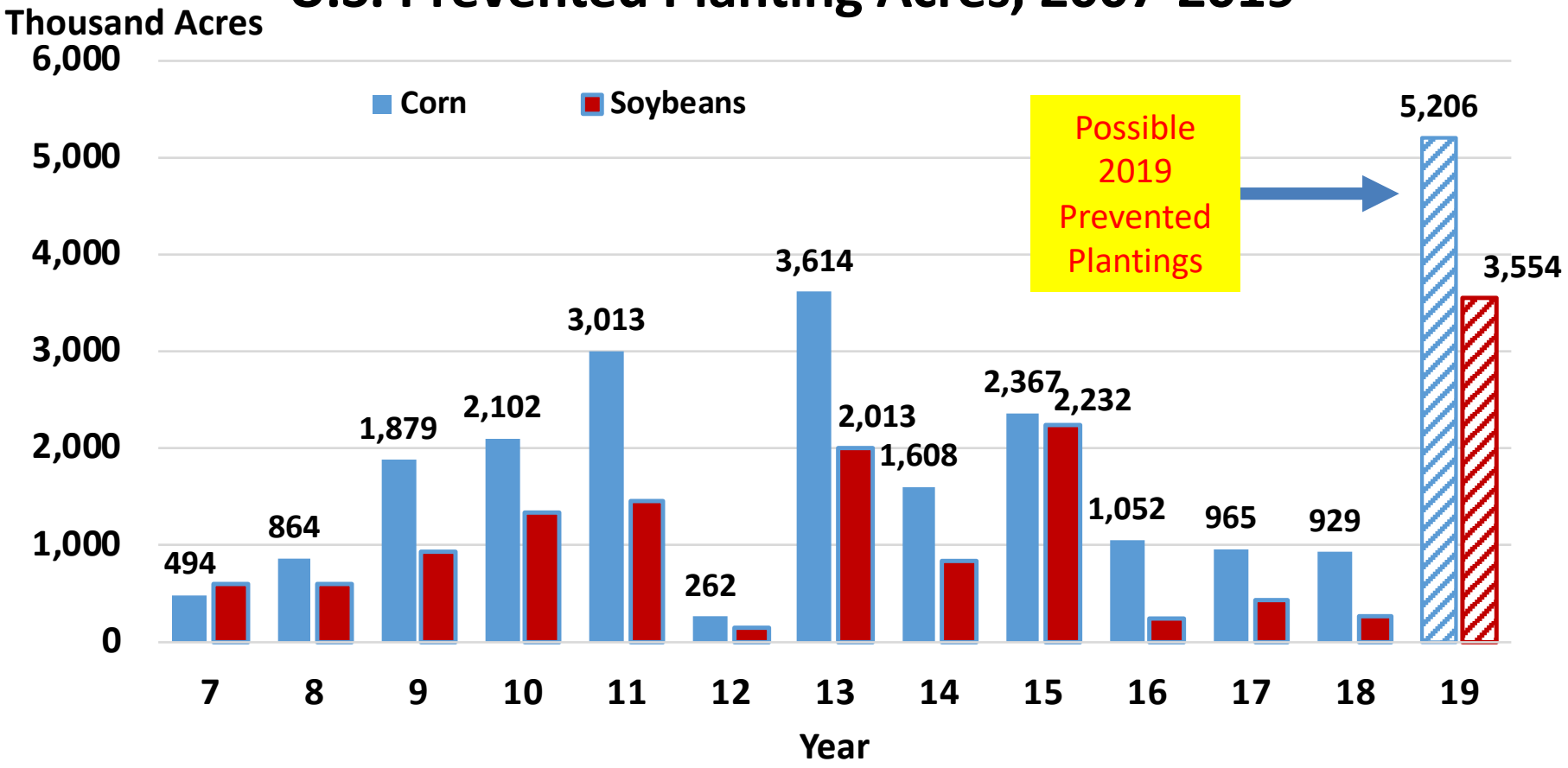
- U.S. (18 States) 92% of Corn Planted
  - Indiana 84%, Illinois 88%, Ohio 68%, Wisconsin 87%
- U.S. (18 States) 77% of Soybeans Planted
  - Indiana 64%, Illinois 70%, Ohio 46%, Missouri 57%

Delayed Corn & Soybean Planting Throughout the Corn Belt

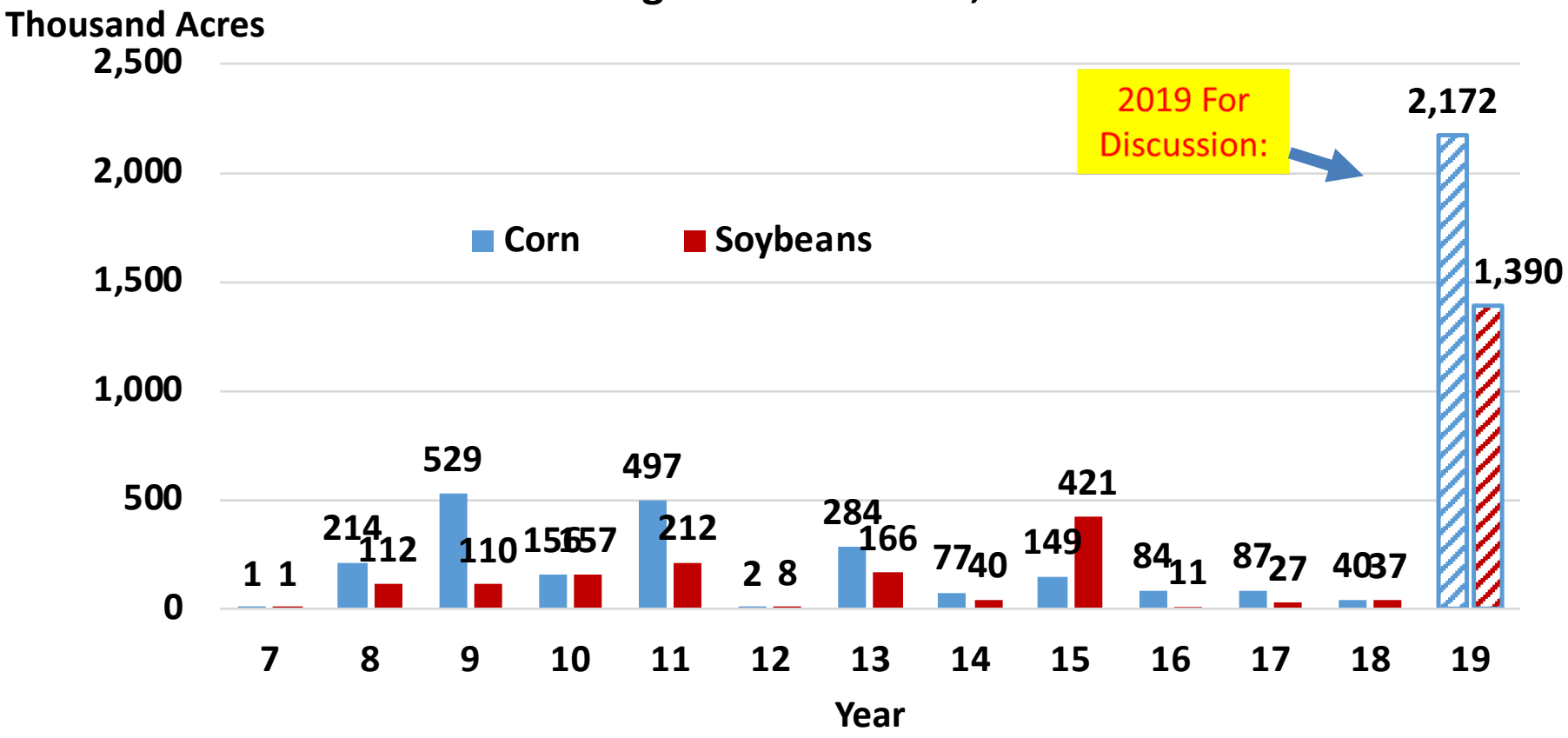
The situation

- **As of 6/9, approximately 15.8 (17% of March intentions) million acres of intended U.S. corn acreage not planted**
- **As of 6/9, approximately 33.8 (40% of March intentions) million acres of intended U.S. soybean acreage not planted**
- **As of 6/16, *Crop Progress* report said U.S. Corn Planting was 92% complete**
- **Does that mean 47% of the 15.8 million corn acres were planted last week?**
- **How much planting progress was really made last week?**
- **USDA's *Crop Progress* report is designed to indicate when farmers quit planting corn, not the same as actually completing their March intentions**

U.S. Prevented Planting Acres, 2007-2019



Prevented Planting Acres in Illinois, Indiana & Ohio



2019 Possible Unplanted Acres by % and Total??

	Percent of Intentions		Possible Unplanted Acres??	
	Corn	Soybeans	Corn	Soybeans
Illinois	8.9%	5.6%	997,000	397,000
Indiana	10.9%	7.0%	598,000	589,000
Ohio	16.5%	8.2%	577,000	404,000
			2,172,000	1,390,000

These estimates are for discussion…USDA likely to resurvey key states for August *Crop Production report*

2019 U.S. Planted Acreage Estimates
(Million Acres)

	Corn	Soybeans
USDA March Intentions	92.8	84.6
Prevent Plant	-5.2	-3.5
Switch Corn to Beans	-2.3	+2.3
Million Acre Shift	-7.5	-1.2
2019 Net Planted Estimate	85.3	83.4

	USDA May 10	USDA June 11	Purdue June 17	Purdue vs USDA May
Planted Acres	92.8	89.8	85.3	-7.5
Harvested Acres	85.4	82.4	78.3	-7.1
Yield per acre	176.0	166.0	168.0	-8.0
Total Production	15,030	13,678	13,161	-1,869
Stocks/Use %	16.9	11.8	9.6	
	$3.30	$3.80	$4.67	

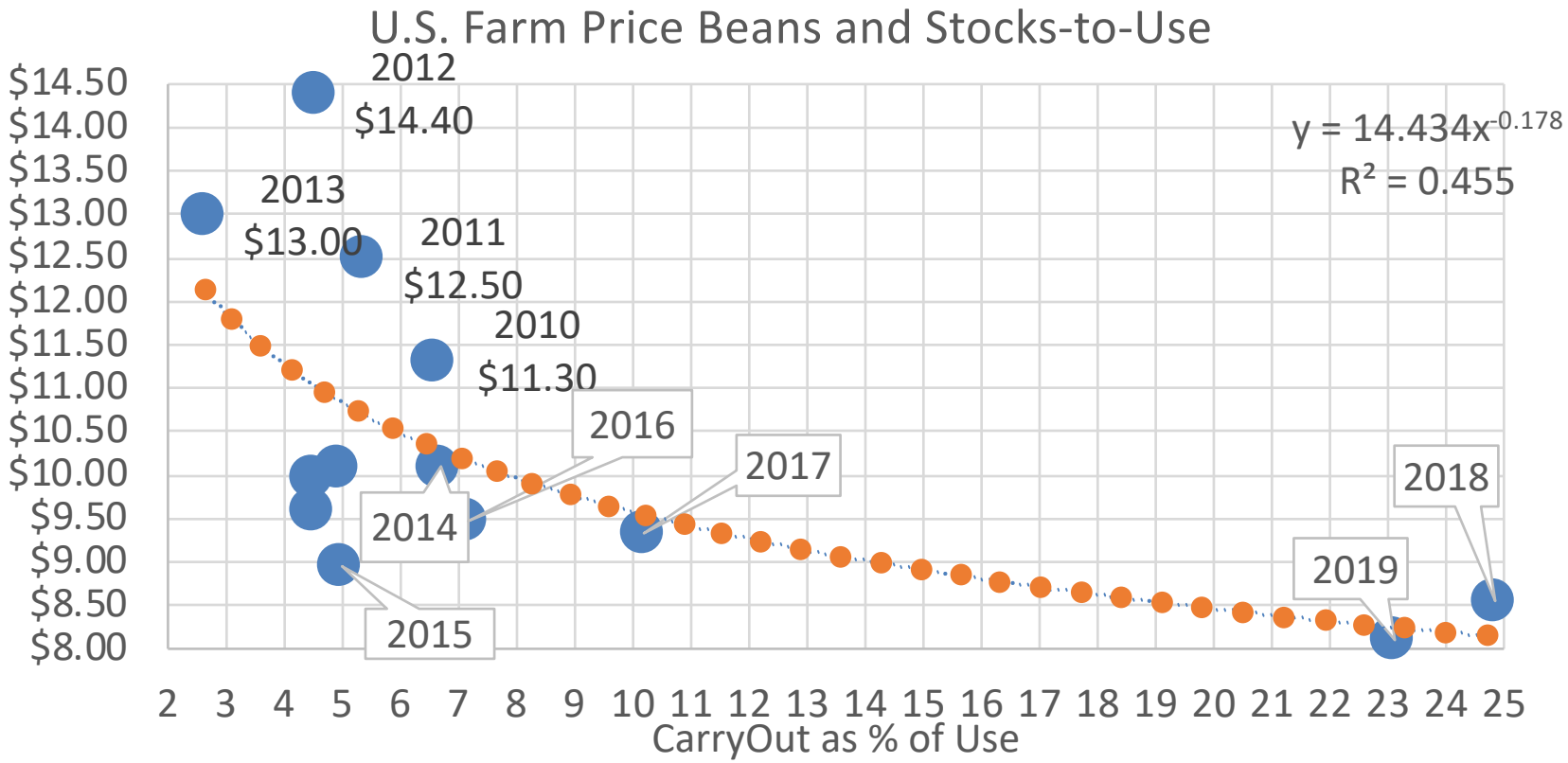
Assuming 78.3 Million Harvested Corn Acres in the U.S

At Various Yield Estimates

Yield/Acre	170	168	166	164
Total Production	13,318	13,161	13,005	12,848
Carryout (Billion Bu.)	1.43	1.35	1.25	1.13
Stocks/Use %	10.1	9.6	8.9	8.1
Est'd. U.S. Avg. Price	$4.48	$4.67	$4.91	$5.25

Purdue

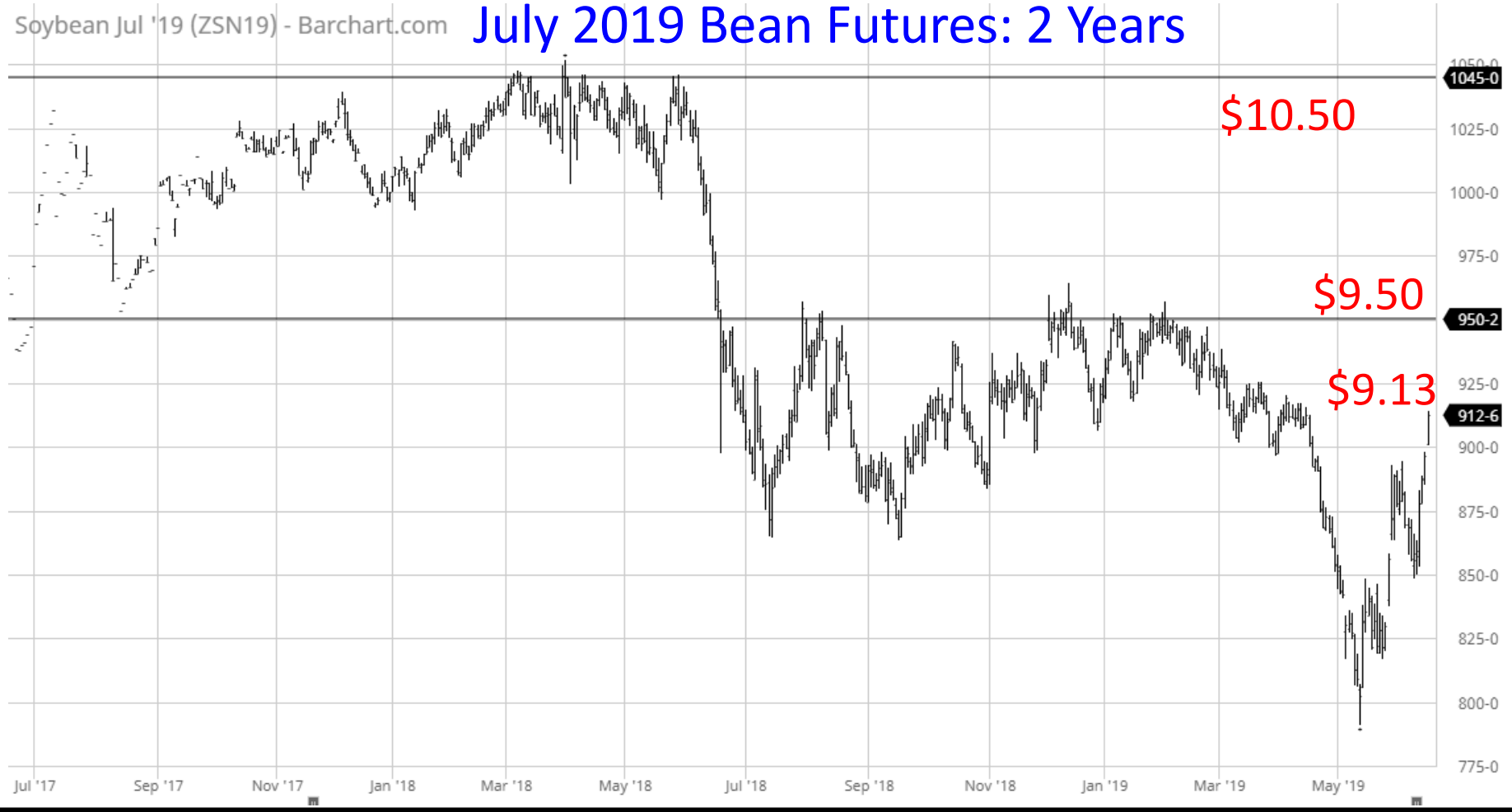
Current Dec Futures $4.68



Current bean stock/use above 20% is so large that even somewhat smaller acres and 3 bushel yield reduction only drops stocks/use to about 17% giving U.S. farm price in the high $8.00 to low $9.00. It will take bigger reductions in acreage and/or yield to move beans significantly higher!

Nearby Corn Futures Monthly: 5 Years

July 2019 Bean Futures: 2 Years



Implications for Prices!

- Corn prices will need to increase to a level to ration a short supply
- How much is still to be determined
- Markets are talking “short production” now and production uncertainty will continue through the summer/fall
- Summer/fall weather really matters
- Once supply is better known, markets will consider demand which is overall weak
- Weather matters for beans as well
- But soybean prices have only a small probability of needing to ration usage. The exception could be a negotiated settlement with China with an agreement to buy large volumes of U.S beans.

Review: Late Planting Soybean Insurance Coverage

Soybeans in Indiana

- Final Planting Date of June 20 for full insurance coverage is rapidly approaching
- Can still plant & insure soybeans from June 21 through July 15, but coverage reduced
- Insurance coverage declines 1%/day during the June 21-July 15 period
- Example: Coverage for soybeans planted June 25th would be reduced by 5%
  - 85% coverage becomes 80.75% coverage (95% X 85% = 80.75%), but you still pay the 85% premium

Current Planting Options for Acreage Intended for Soybeans

1. **Go ahead and plant soybeans,**
   a) **Risk of reduced yields**
   b) **Insurance coverage declining 1% per day, starting on June 21**

2. **Take the full soybean prevented planting payment (beginning June 21), which is equal to 60% of original soybean revenue guarantee, and avoid soybean production variable costs**

Soybean Prevented Planting Example

1. **Assume Trend Adjusted-APH soybean yield of 65 bushel per acre**
2. **Crop insurance projected price of $9.54 per bushel (Feb. avg. of Nov. futures)**
3. **Revenue Protection (RP) coverage level of 85%**
4. **Computation of revenue guarantee and prevented planting payment:**
   - **Revenue guarantee = (65 bu. x $9.54 x 0.85) = $527.09 per acre**
   - **Full Prevented Planting (PP) Payment = $527.09 x 0.60 = $316.25 per acre**
   - **PP payment minus land maintenance cost of $30/acre = $286.25 per acre**
     - **Compare this value to your return above variable costs from growing beans**

Prevented Planting Compared to Planting Soybeans Profitability

- **Scenario One**
  - **Take full prevented planting payment for soybeans & leave land idle**
- **Scenario Two**
  - **Crops planted on June 20, 25% decline in soybean yields**
    - **Full crop insurance coverage is still available for soybeans**
    - **June 20 is the last day for full soybean crop insurance coverage**
- **Scenario Three**
  - **Crops planted on June 30, 35% decline in soybean yields**
    - **Soybean crop insurance coverage declines 10% (1% for each day past 6/20)**

Possible Planting & Yield Scenarios
High Productivity Soils in Indiana, Per Acre Costs & Yields

	Scenario One Prev. Planting	Scenario Two 20-June	Scenario Three 30-June
Variable Cost for Soybeans	$30 (land maint.)	$270	$274
Reduction in Soybean Yields	NA	25%	35%
Soybean Yield	NA	49	42

Possible Planting & Yield Scenarios (85% RP Coverage)
High Productivity Soils in Indiana

	Scenario One Prev. Plant.	Scenario Two June 20	Scenario Three June 30
Nov. 2019 Soybean Futures	$9.40	$9.40	$9.40
Mid-Oct WC IN Soybean Basis	$0.64	$0.64	$0.64
Expected Fall Delivery Cash Soybean Price	$8.76	$8.76	$8.76
Expected Soybean Yield	NA	49	42
Expected Gross Soybean Revenue	$316	$429	$368
Expected Net Soybean Revenue	**$286**	**$159**	**$94**
Planting Soybeans Advantage Over Prevented Planting Payment	**NA**	**-$127**	**-$192**

At 75% insurance coverage, your net PP revenue drops to $249

What Are We Missing in This Analysis?

Additional Considerations

1. Need to plant to qualify for MFP_2019 payment(s)
   - How large will MFP_2019 payment(s) be?
     - If MFP_2019 is $50/acre, by how much do soybean prices need to rally to make planting soybeans competitive with prevented planting payments?
       - » On June 20th with 49 bu. expected yield
         - ($127-$50)/49 = $1.57 rally needed in Nov. soybean futures with -$0.64 fall basis
2. If you plant, you qualify for Harvest Price Option (HPO). This is not as important as it is for corn. Current Nov. soybean futures are still below Feb. crop insurance projected price.
3. If you plant soybeans late, it's likely to reduce your APH for 2020.

Download the slides from this video on our website

Purdue.edu/commercialag

Also, find links to delayed planting crop production management videos from Purdue Extension on our web site

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Thank You

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