

Fall 2017 Crop Outlook Webinar

Chris Hurt, Professor & Extension Ag. Economist

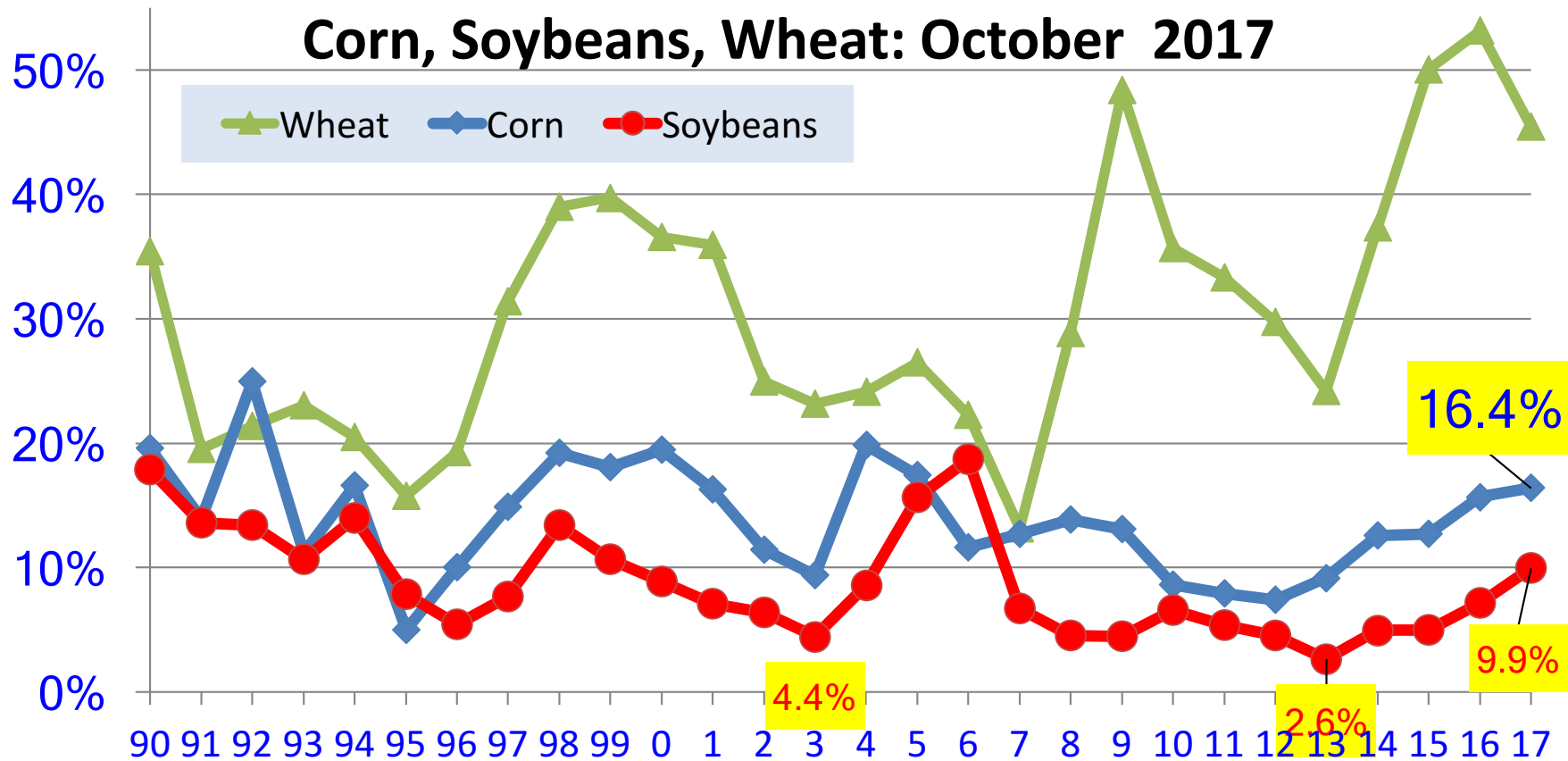
James Mintert, Professor & Director, Center for Commercial Agriculture



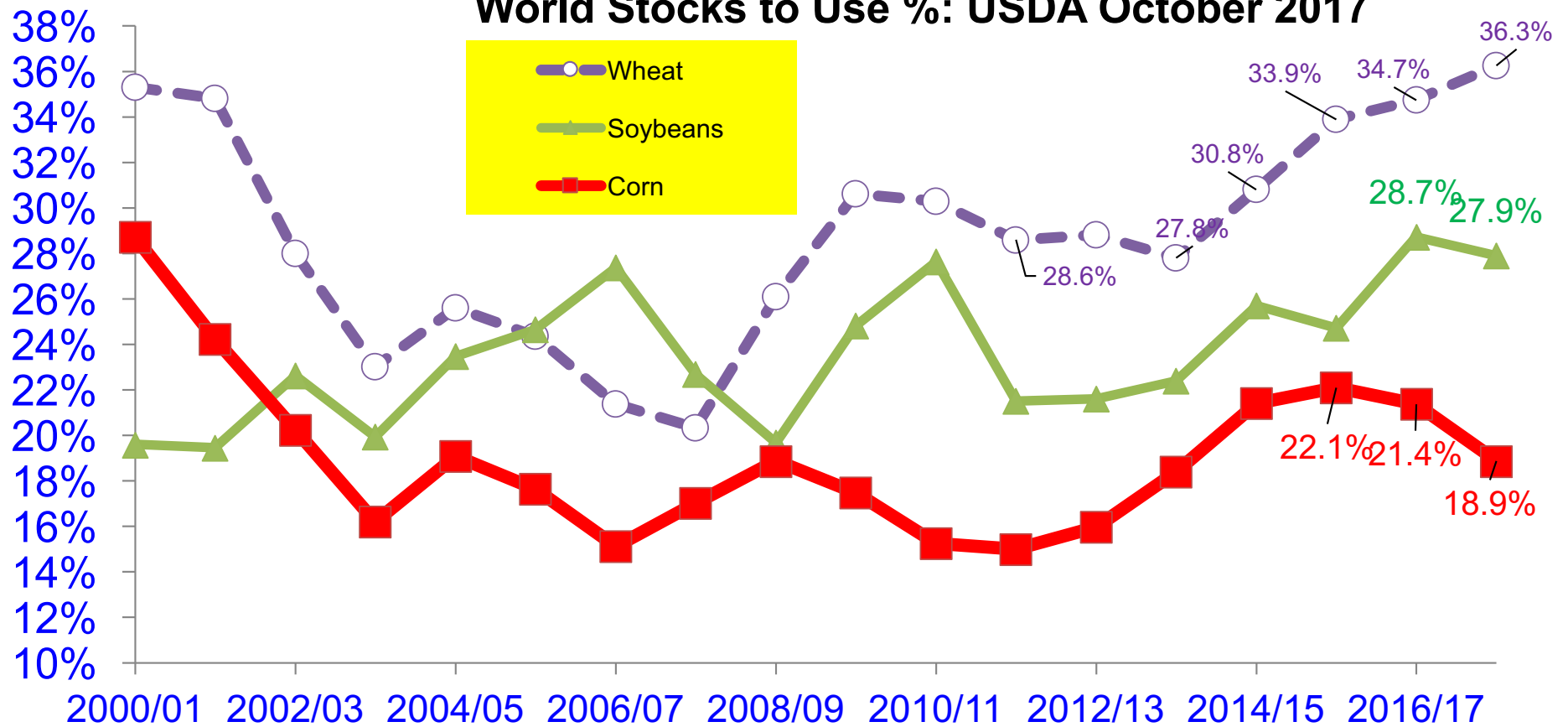
Center for
Commercial Agriculture

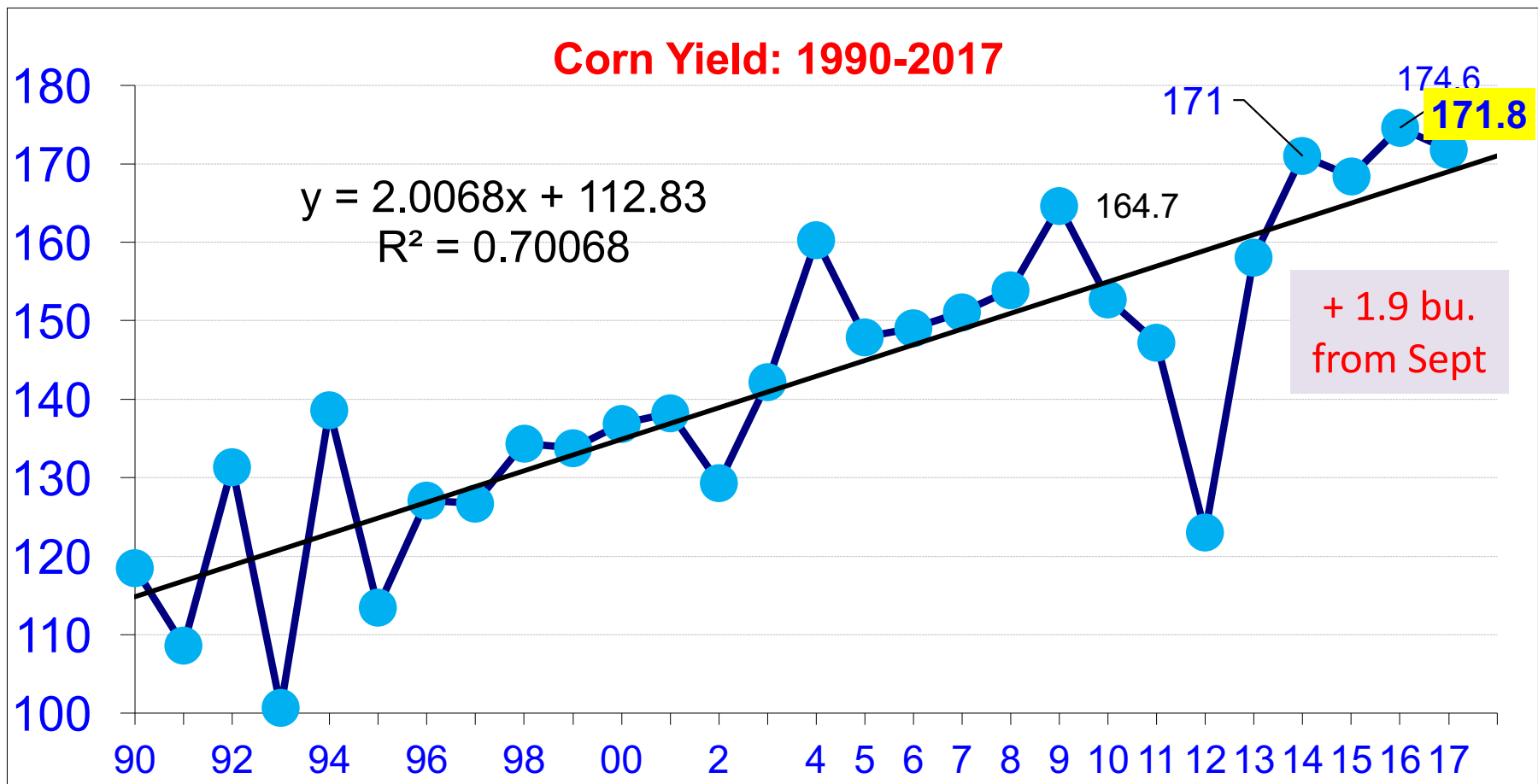
Fall 2017 Crop Outlook Webinar
October 13, 2017

U.S. Ending Stocks to Use % Corn, Soybeans, Wheat: October 2017

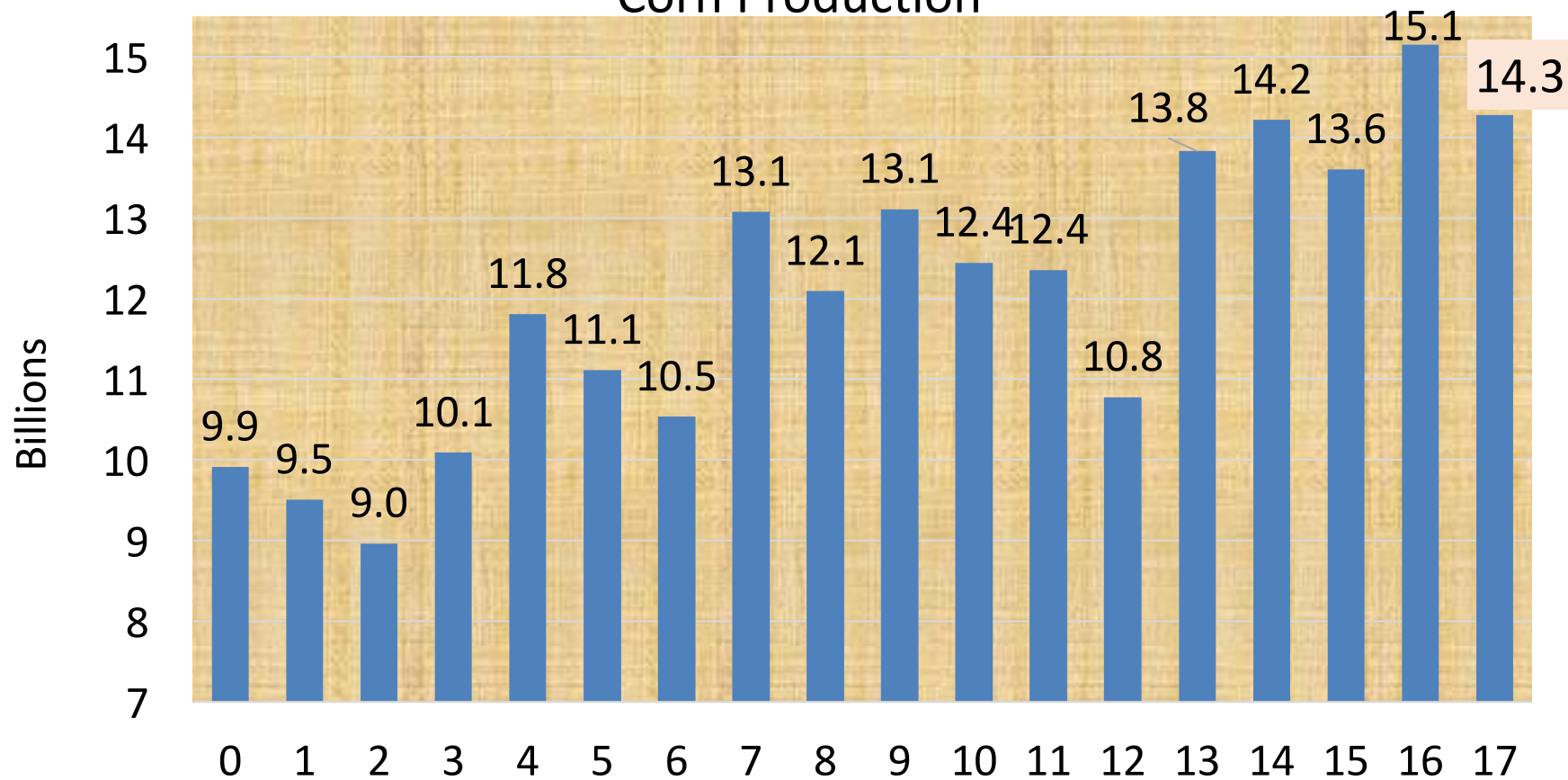


World Stocks to Use %: USDA October 2017





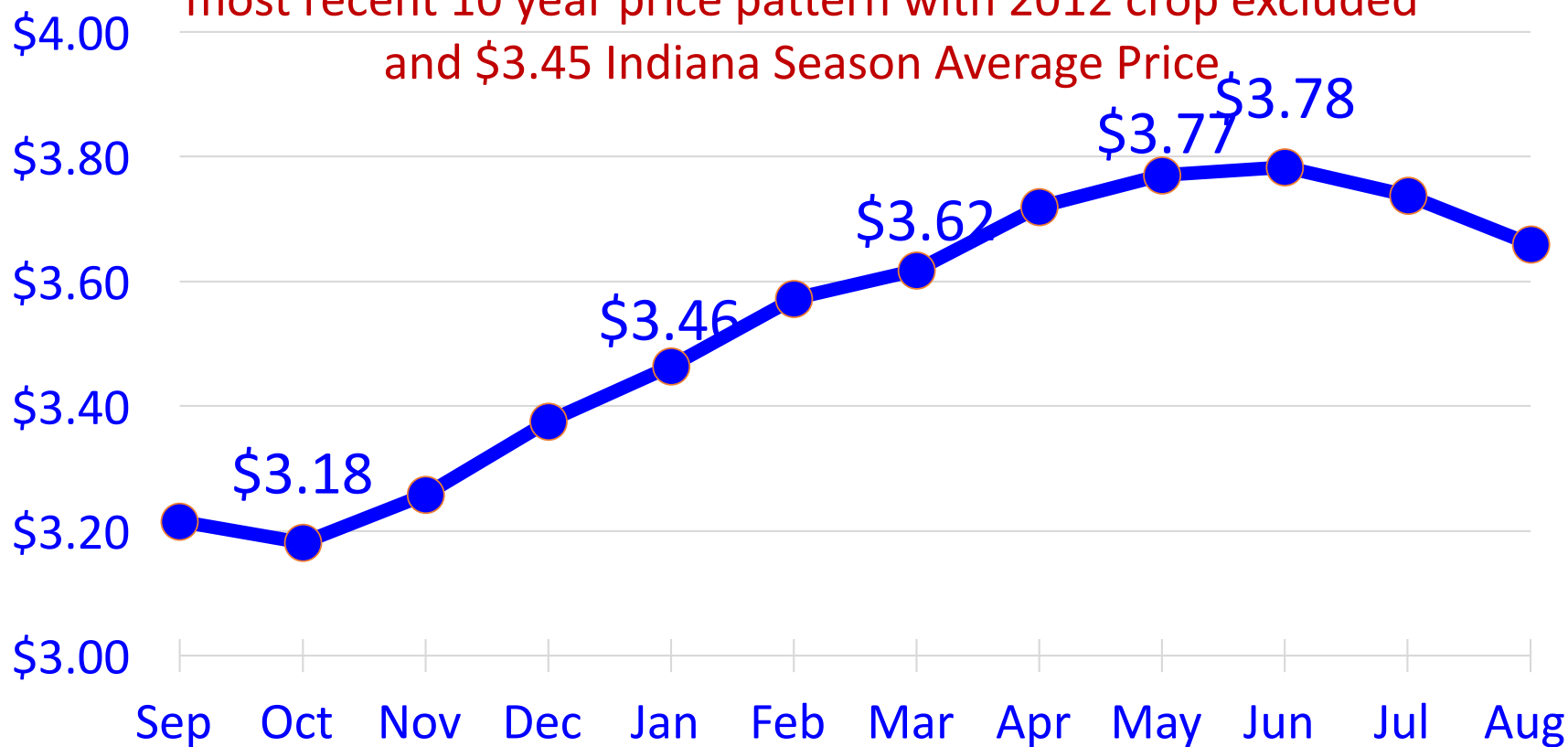
Corn Production



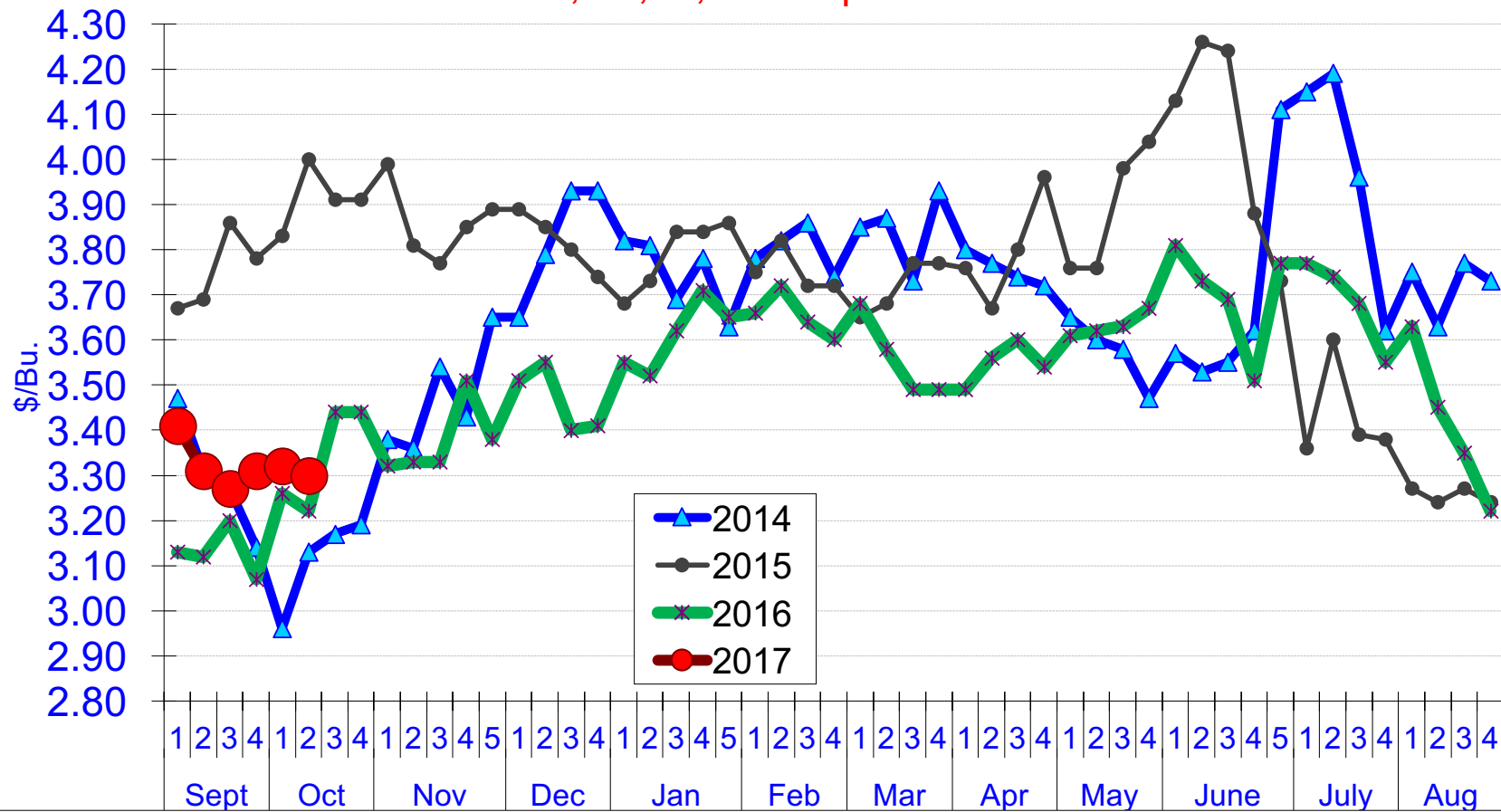
Corn:				
				USDA
10/12/17				
	14/15	15/16	16/17	17/18
Carry in	1,232	1,731	1,736	2,295 (-55)
Production	14,216	13,601	15,148	14,280 (+96)
Total Supply	15,479	15,400	16,942	16,625 (+40)
Feed & Residual	5,317	5,120	5,464 (+39)	5,500 (+25)
FSI Non-Fuel	1,359	1,422	1,452 (+17)	1,460 (+10)
FSI Fuel (Ethanol)	5,207	5,224	5,438 (+3)	5,475
Export	1,865	1,898	2,293 (-2)	1,850
Total Use	13,748	13,664	14,647 (+57)	14,250 (+35)
Ending Stocks	1,731	1,736	2,295 (-55)	2,340 (+5)
US Farm Price	\$3.70	\$3.61	\$3.36	\$3.20

\$2.80 - \$3.60

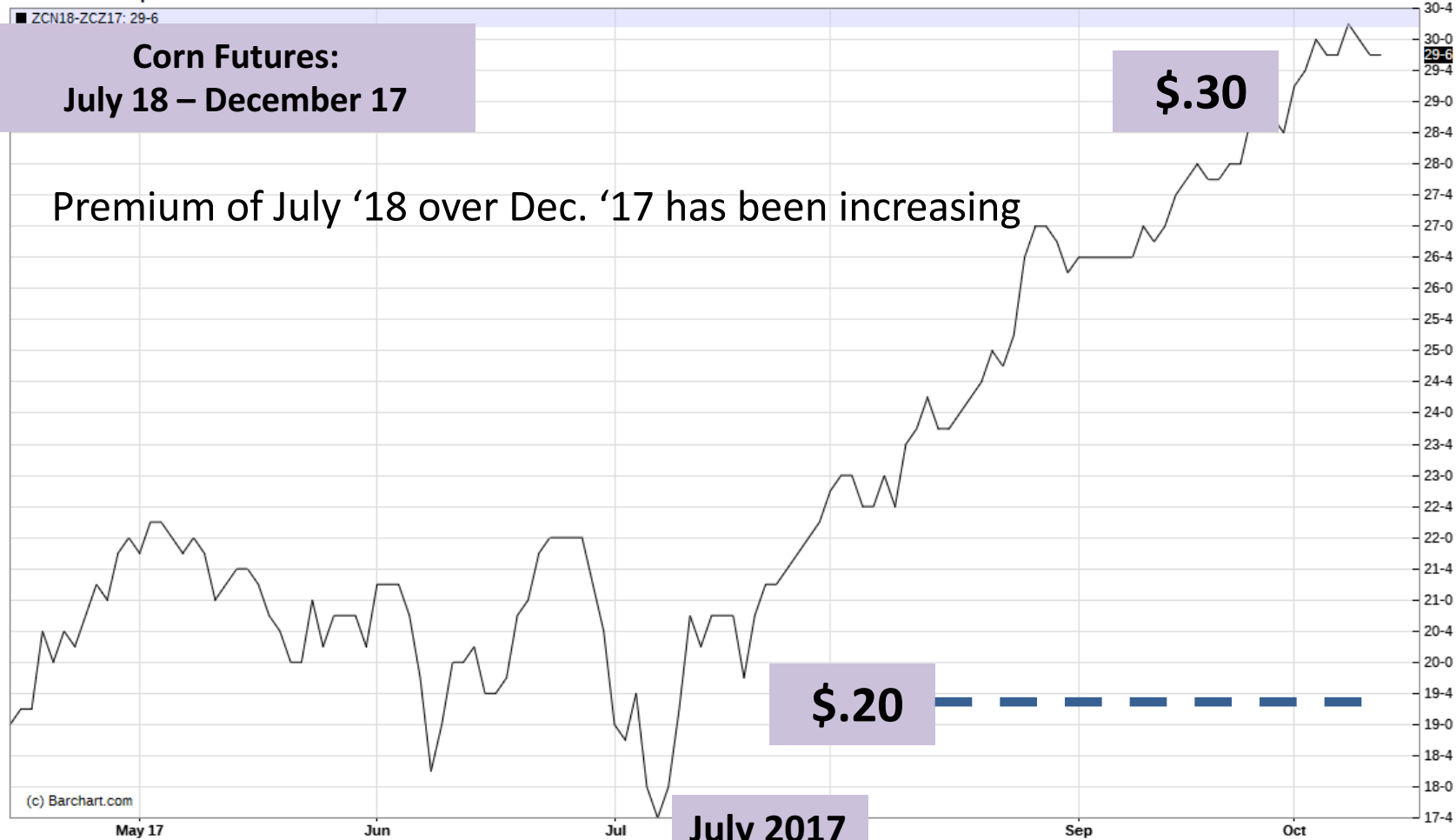
2017/18 Hypothetical Seasonal Price Pattern: based on
most recent 10 year price pattern with 2012 crop excluded
and \$3.45 Indiana Season Average Price



Cash Corn Price 14, 15, 16, 17 Crops: Central Indiana



ZCN18-ZCZ17 - Spread Chart



Expected Corn Storage Returns On-Farm

	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	
Futures	3.49	3.49	3.63	3.63	3.63	3.71	3.71	3.79	3.79	+\$0.30
Basis	-.25	-.20	-.12	-.10	-.08	-.12	-.10	-.10	-.08	<u>+\$0.17</u>
Cash	3.24	3.29	3.51	3.53	3.55	3.59	3.61	3.69	3.71	
Carry		.05	.27	.29	.31	.35	.37	.45	.47	+\$0.47
- Interest	-.03	-.04	-.05	-.06	-.07	-.08	-.09	-.10	-.11	
Return		.01	.22	.23	.24	.27	.28	.35	.36	
Commercial	-.15	-.18	-.21	-.24	-.27	-.30	-.33	-.36	-.39	

Commercial Storage: No expected positive return to storage
 -Sell cash at harvest and replace with futures or call options

Corn Dec '17 (ZCZ17) - Barchart.com



With On-Farm Corn Storage

A. Take the Carry At Harvest

- Sell July futures at harvest
- Sell Hedge-to-Arrive futures at your Buyer

Position: Both price the futures, but leave the basis unpriced

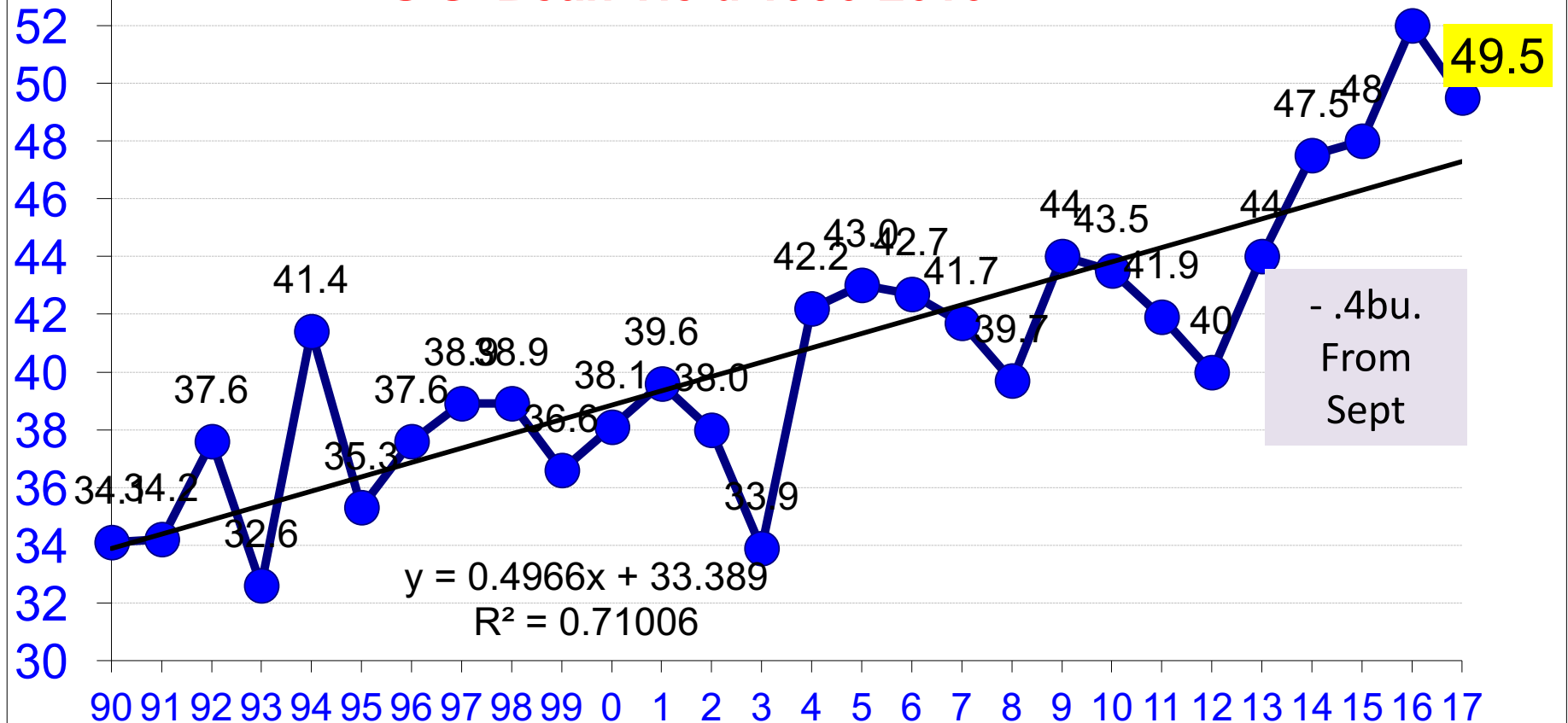
Advantage on Hedge-To-Arrive is Buyer pays margin calls

Advantage for doing your own futures hedge: More flexible-lower costs?

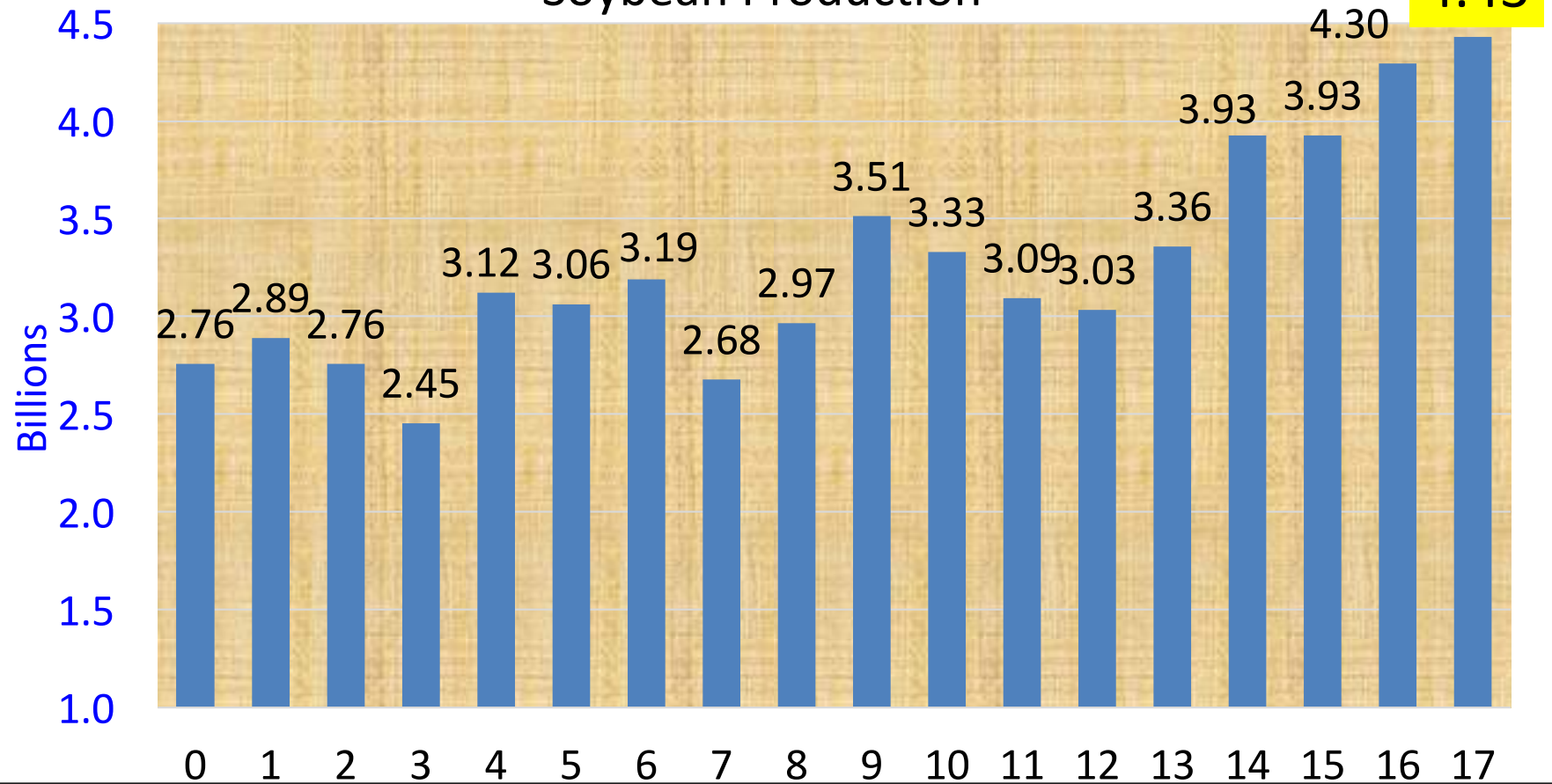
B. Store Unpriced-

Wait for a Rally-Then sell Summer Futures or Hedge-to-Arrive

U.S. Bean Yield 1990-2016

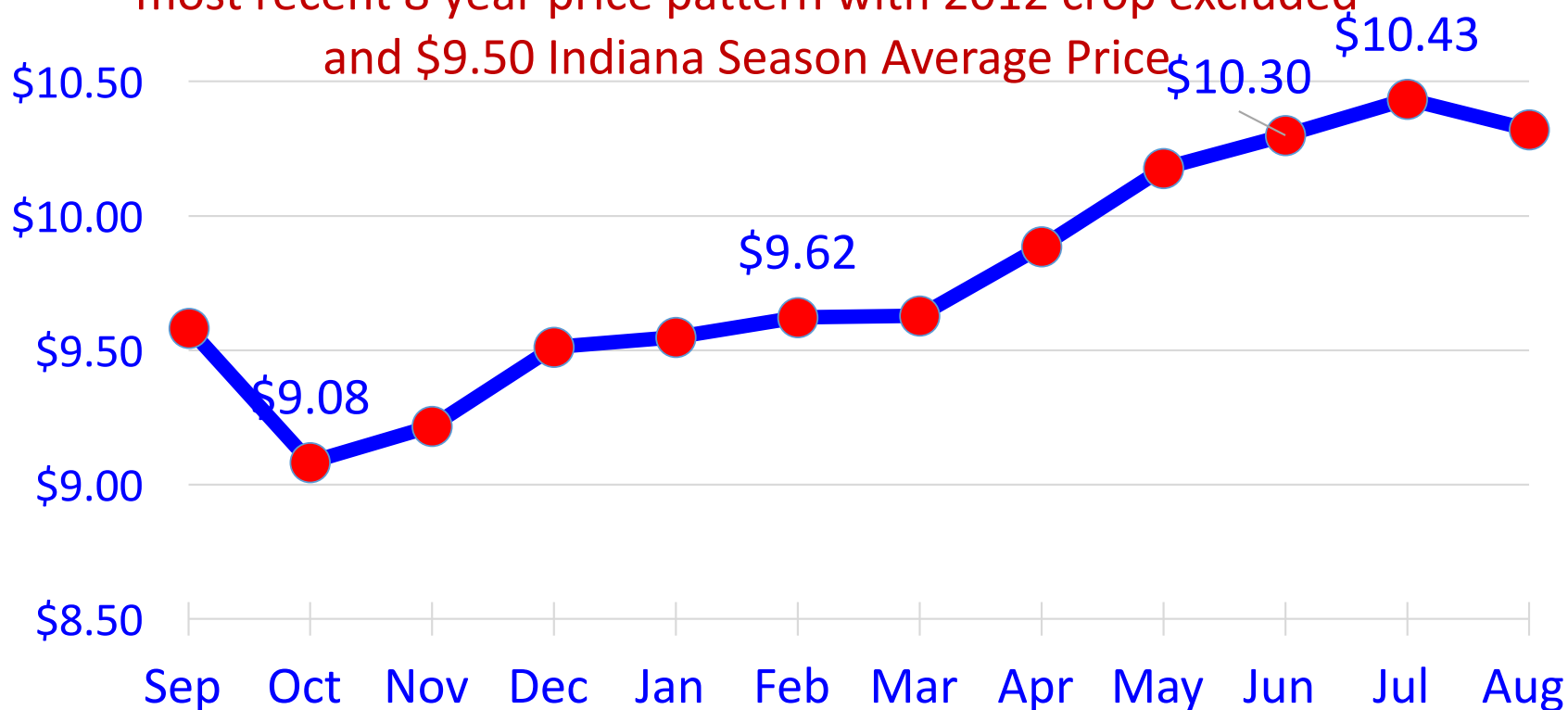


Soybean Production

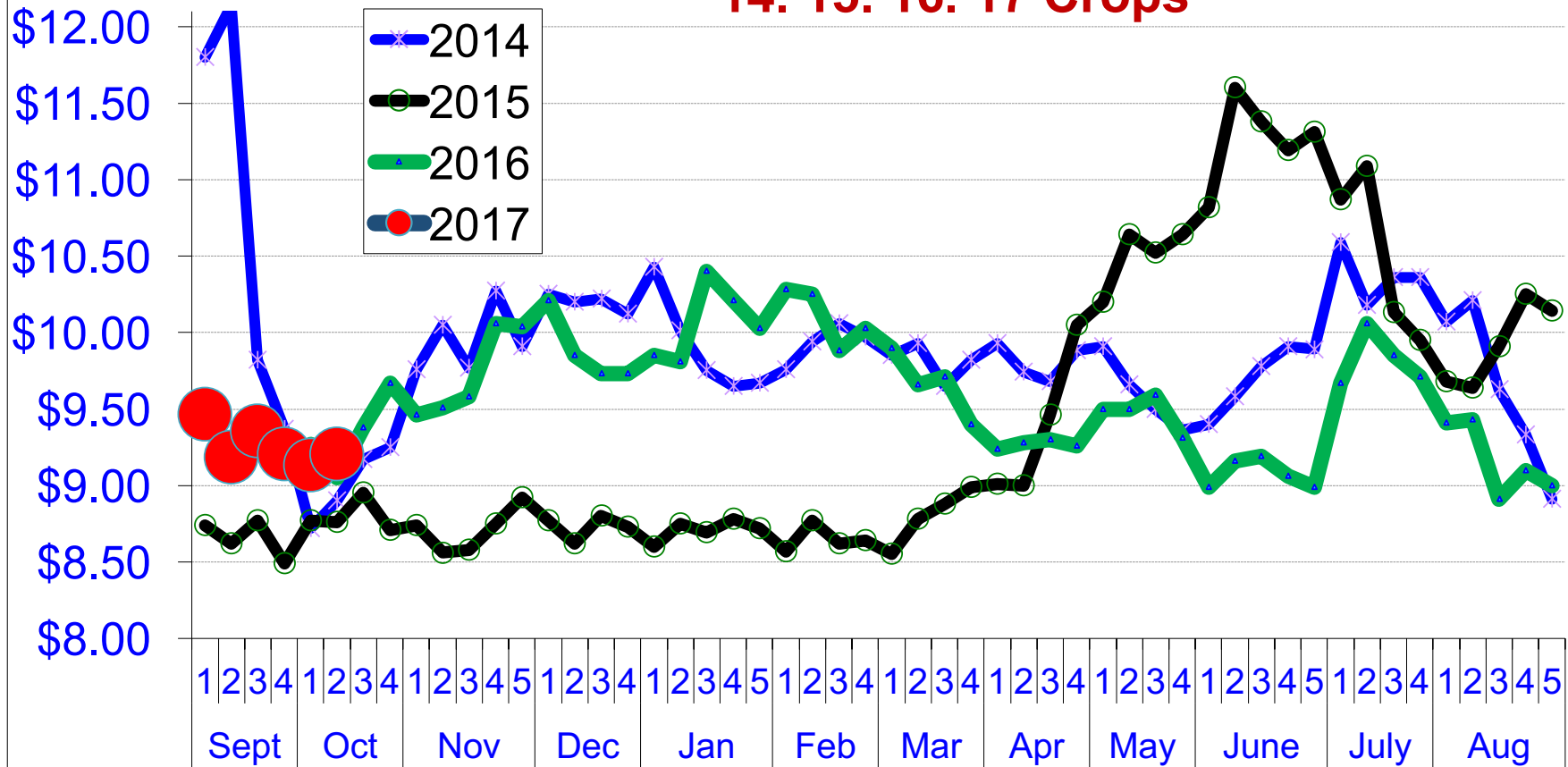


Soybeans			USDA		
			10/12/17		
	14/15	15/16	16/17	17/18	
Carry in	92	191	197	301 (-44)	
Production	3,927	3,926	4,296 (-11)	4,431	
Total Supply	4,052	4,140	4,518 (-13)	4,758 (-44)	
Seed & Residual	143	121	141 (+21)	136	
Crush	1,875	1,886	1,899 (+4)	1,940	
Exports	1,843	1,936	2,174 (+4)	2,250	
Total Use	3,861	3,943	4,214 (+31)	4,326	
Ending Stock	191	197	301 (-44)	430 (-45)	
Farm Price	\$10.10	\$8.95	\$9.47 (-.03)	\$9.20	
				\$8.35-\$10.05	

2017/18 Hypothetical Seasonal Price Pattern: based on
most recent 8 year price pattern with 2012 crop excluded
and \$9.50 Indiana Season Average Price



Central Indiana Cash Soybean Price Pattern: 14. 15. 16. 17 Crops



**Soybean Futures:
July 18 – November 17**

Premium of July '18 over Nov. '17 has been increasing



Expected Soybean Storage Returns On-Farm

	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	
Futures	9.92	10.03	10.03	10.12	10.12	10.22	10.22	10.30	10.30	+\$0.38
Basis	-.30	-.25	-.17	-.15	-.12	-.17	-.15	-.15	-.13	<u>+\$0.17</u>
Cash	9.62	9.78	9.86	9.97	10.00	10.05	10.07	10.15	10.17	
Carry		.16	.24	.35	.38	.43	.45	.53	.55	+\$0.55
- Interest	-.03	-.06	-.09	-.12	-.15	-.18	-.21	-.24	-.27	
Return		.10	.15	.23	.23	.25	.24	.29	.28	
Commercial	-.15	-.18	-.21	-.24	-.27	-.30	-.33	-.36	-.39	

Commercial Storage: No expected positive return to storage
 -Sell cash at harvest and replace with futures or call options

Soybeans Nov '17 (ZSX17) - Barchart.com



With On-Farm Soybean Storage

A. Take the Carry At Harvest

- Sell July futures at harvest
- Sell Hedge-to-Arrive futures at your Buyer

Position: Both price the futures, but leave the basis unpriced

Advantage on Hedge-To-Arrive is Buyer pays margin calls

Advantage for doing your own futures hedge: More flexible-lower costs?

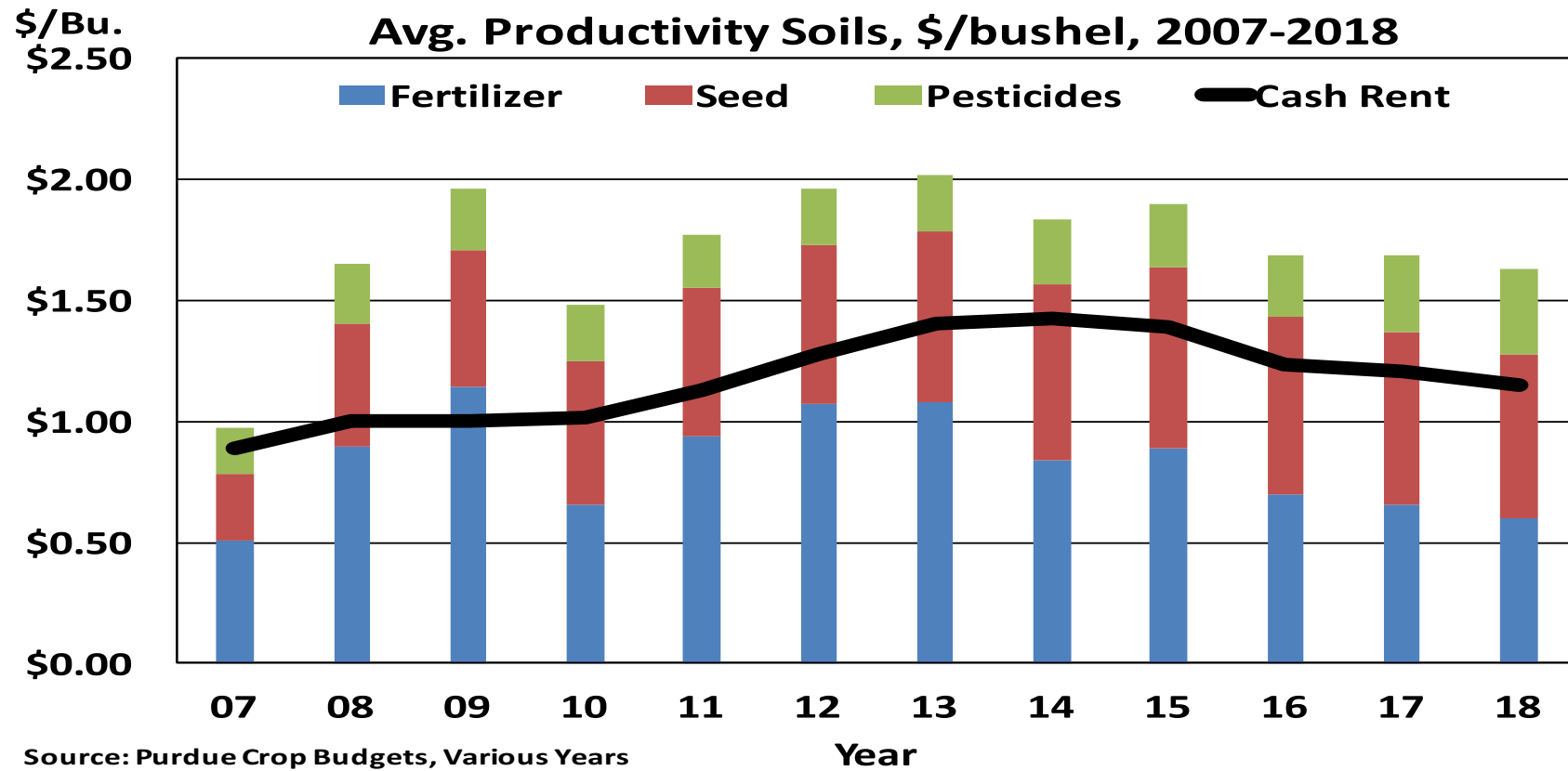
B. Store Unpriced-Wait for a Rally-Then sell Summer Futures or Hedge-to-Arrive

**MYA Farm Price:
PAST and FUTURE**

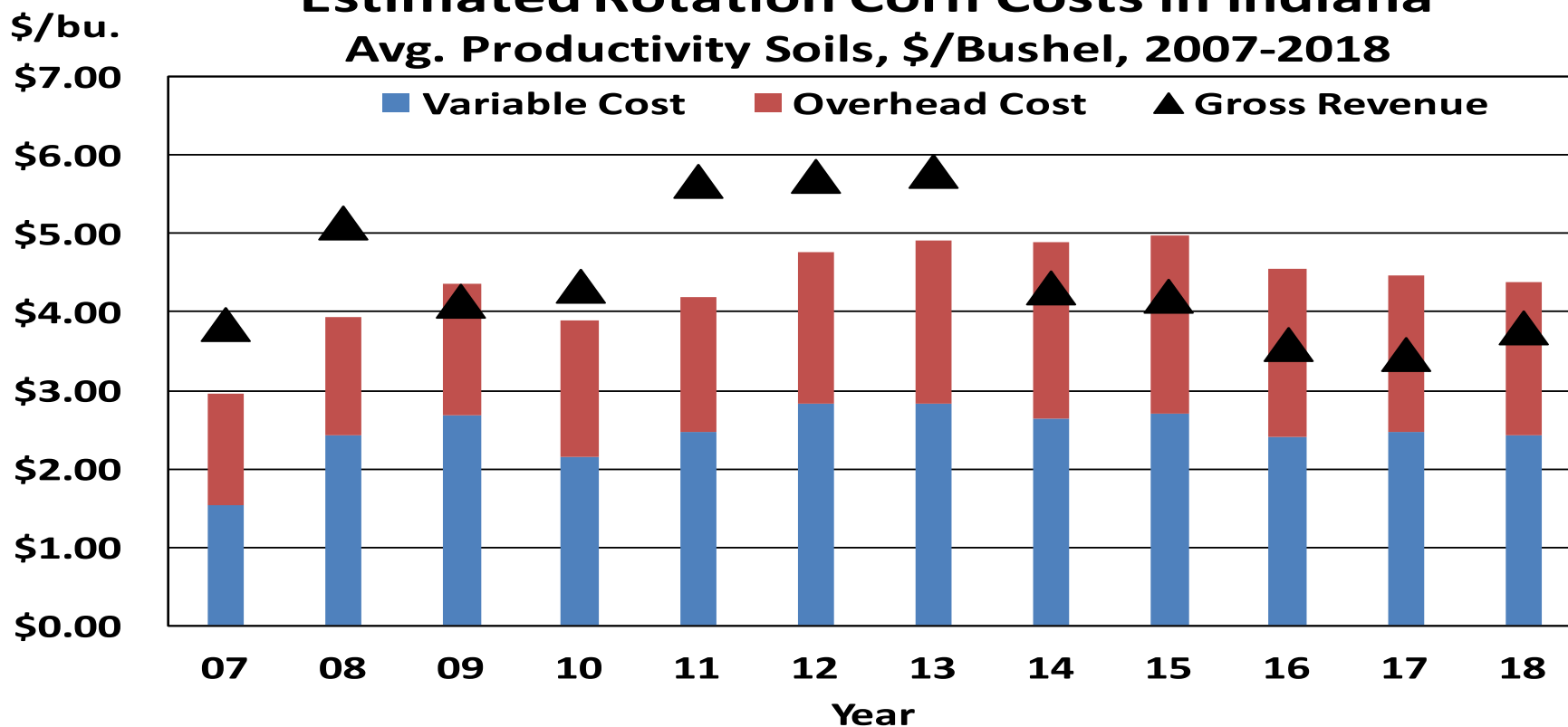
	2012	2013	2014	2015	2016 USDA	2017 USDA	2018 Futr MYA	2019 Futr MYA	2020 Futr MYA
Corn	\$6.89	\$4.46	\$3.70	\$3.60	\$3.35	\$3.20	\$3.85	\$4.00	\$4.05
Soybeans	\$14.40	\$13.00	\$10.10	\$8.95	\$9.50	\$9.20	\$9.75	\$9.70	\$9.60
Wheat	\$7.77	\$6.87	\$5.99	\$4.89	\$3.89	\$4.60	\$4.25	\$5.00	\$5.15

Low

Estimated Rotation Corn Costs in Indiana Avg. Productivity Soils, \$/bushel, 2007-2018

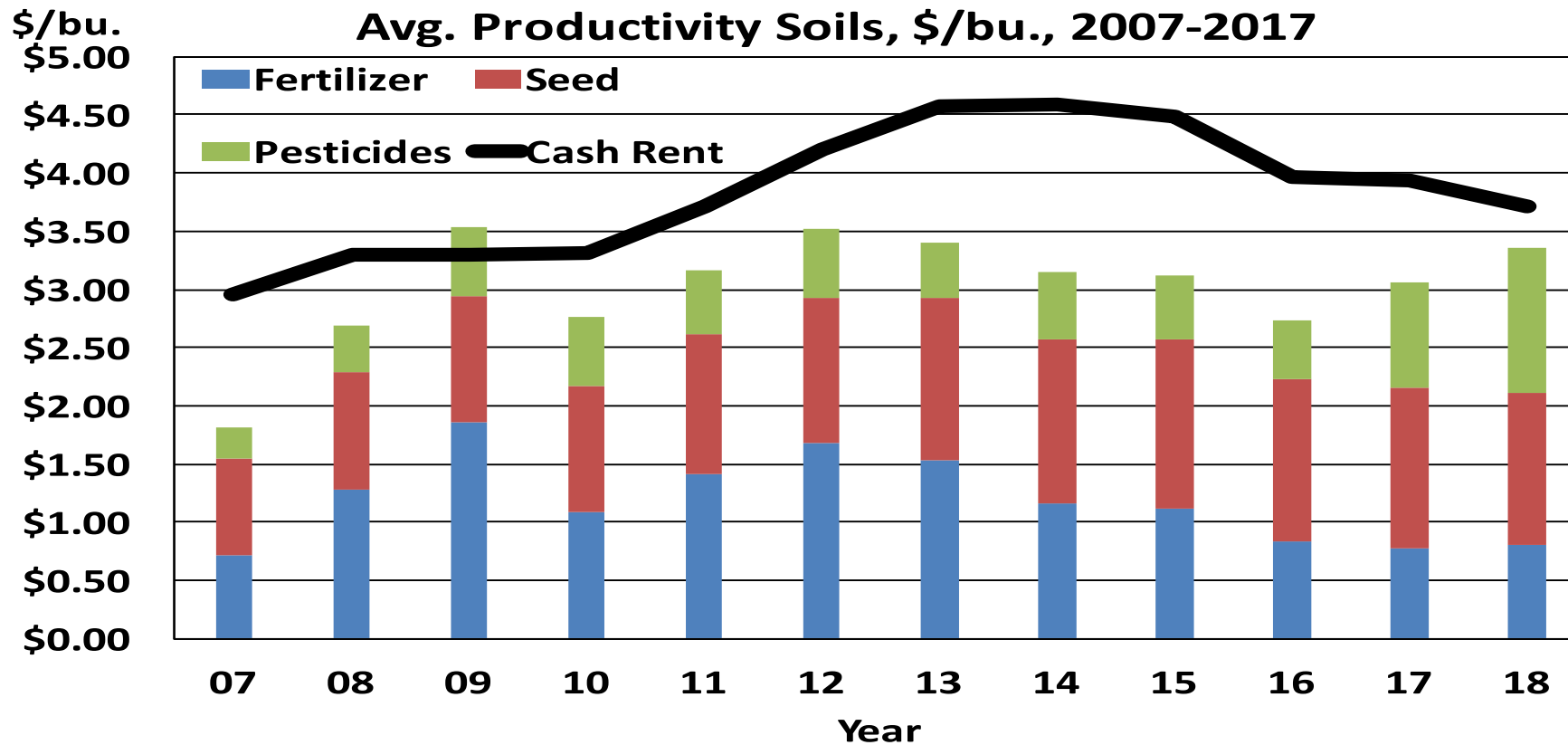


Estimated Rotation Corn Costs in Indiana Avg. Productivity Soils, \$/Bushel, 2007-2018



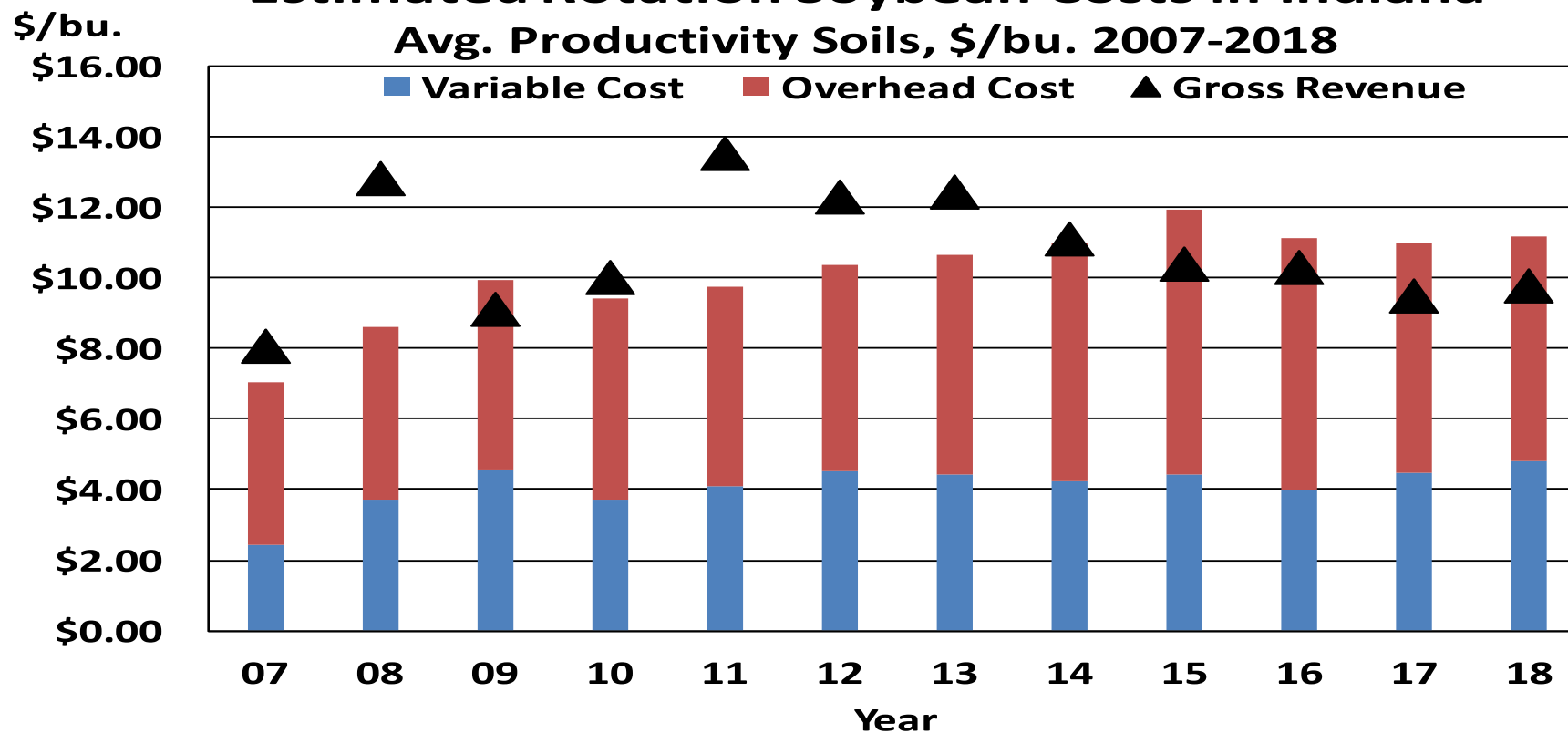
Source: Purdue Crop Budgets, Various Years

Estimated Rotation Soybean Costs in Indiana Avg. Productivity Soils, \$/bu., 2007-2017



Source: Purdue Crop Budgets, Various Years

Estimated Rotation Soybean Costs in Indiana Avg. Productivity Soils, \$/bu. 2007-2018



Source: Purdue Crop Budgets, Various Years

Upcoming Webinars:

Ag Economy Barometer, Nov. 9, 2017

Ag Business Climate Outlook, Jan. 5, 2018

Purdue Top Farmer Conference: January 9, 2018

Pre-Conference: January 8, 2018

Location: Beck Ag Center, West Lafayette, IN



Center for
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