

Fall Crop Outlook Webinar

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Center for
Commercial Agriculture

September 13, 2018

Spring 2018: Ag Emerging from Financial Darkness

In Spring 2018 Optimism Returned – “Ag Was Turning the Corner”

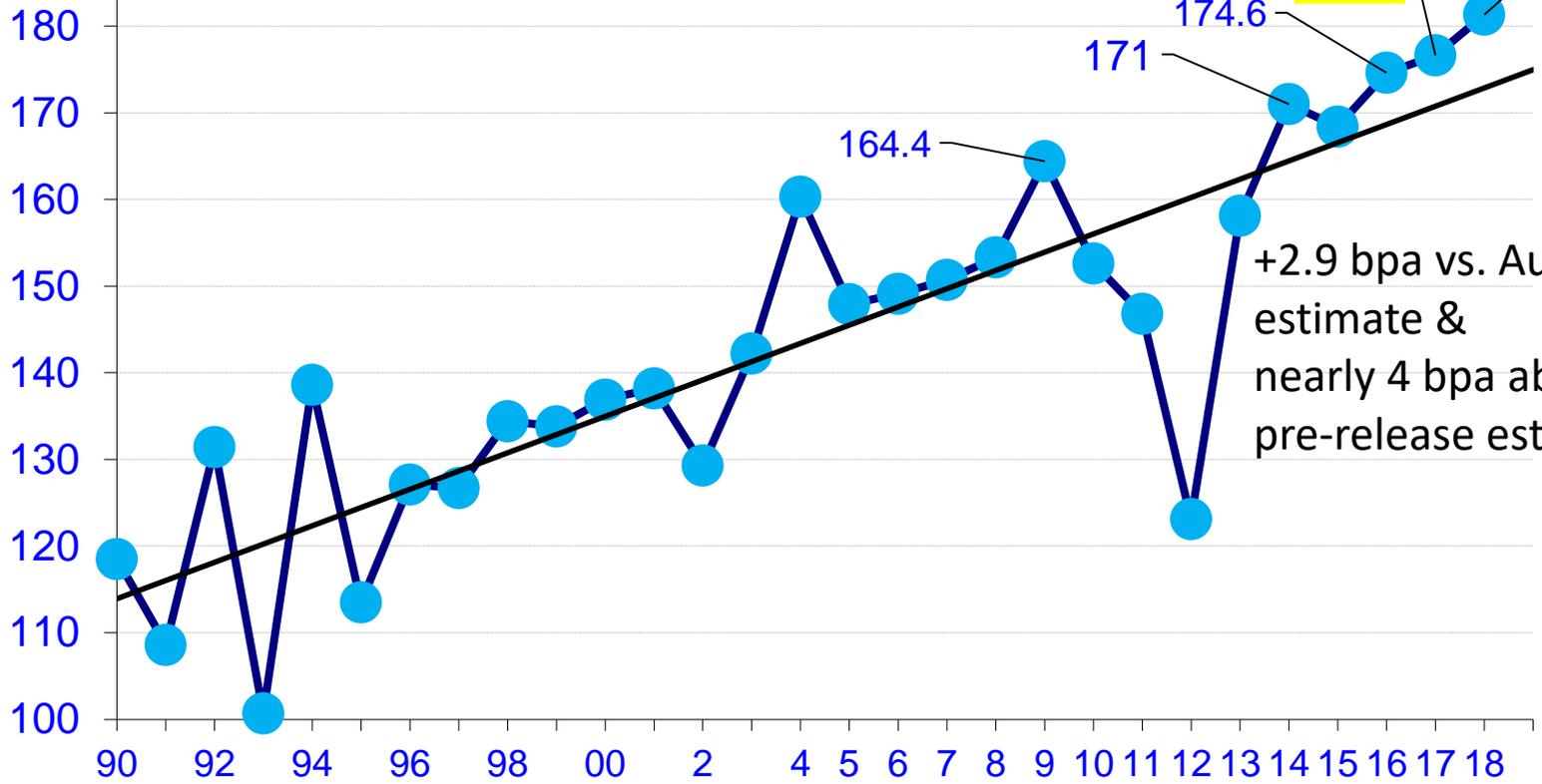
Reasons for optimism in Spring 2018

1. Declining grain inventories
2. Strong U.S. & world economic growth
3. Result: Strong new crop cash bids: \$10 soybeans and \$4 corn

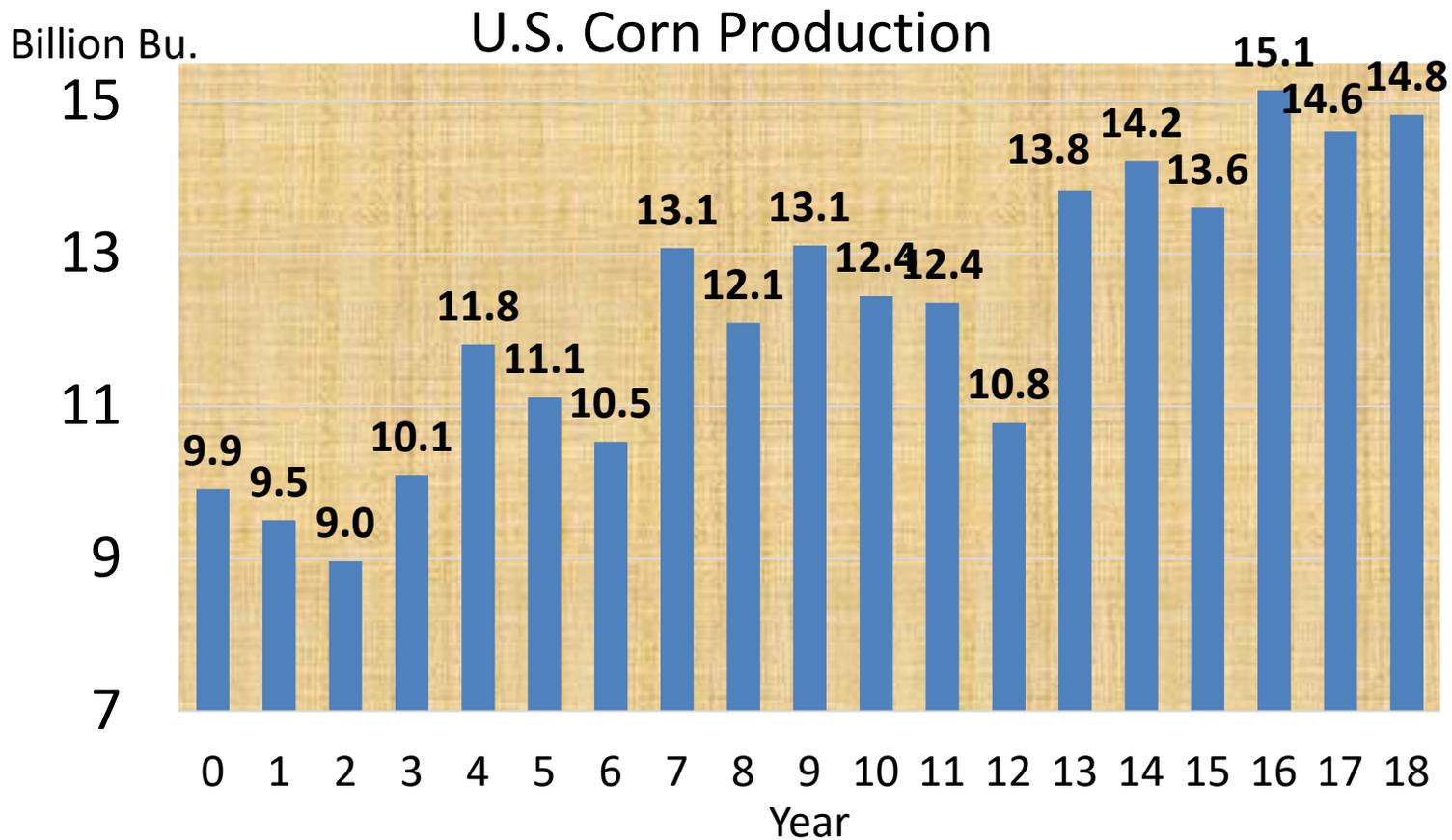
Summer & Fall 2018 perfect weather, high yields & tariffs

U.S. Corn Yield: 1990-2018

Bu./Acre



+2.9 bpa vs. Aug. estimate & nearly 4 bpa above pre-release est.

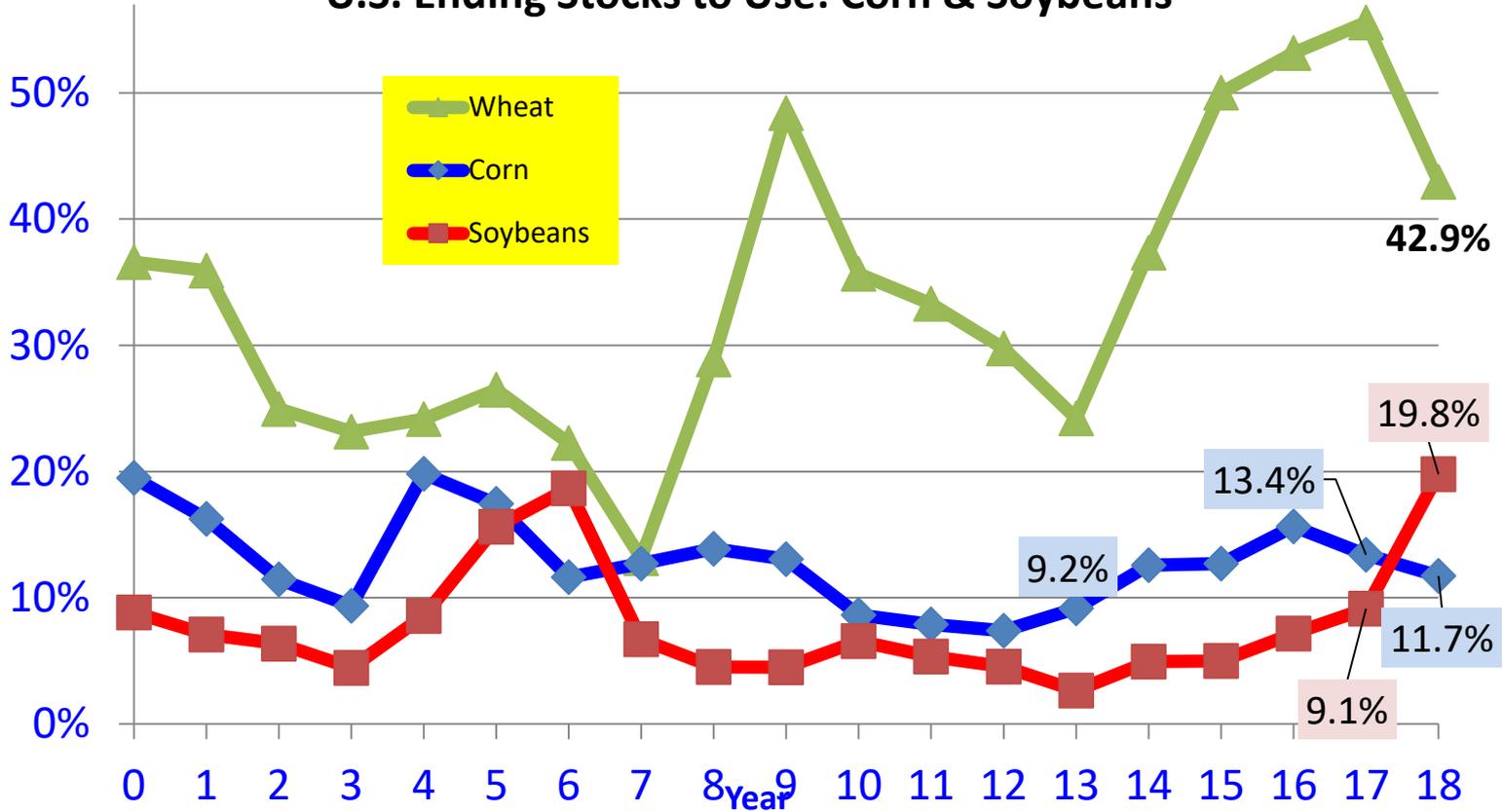


Corn			USDA 181.3 bu. +2.9 bu.
	9/12/18 16/17	USDA 17/18	18/19
Carry In	1,737	2,293	2,002
Production	15,148	14,604	14,827 (+241)
Total Supply	16,942	16,937	16,879
Feed & Residual	5,467	5,450	5,575 (+50)
FSI Non-Fuel	1,450	1,460	1,480
FSI Fuel (Ethanol)	5,439	5,600	5,650 (+25)
Export	2,293	2,425 (+25)	2,400 (+50)
Total Use	14,649	14,935	15,105
Ending Stocks	2,293	2,002 (-25)	1,774 (+90)
US Farm Price	\$3.36	\$3.40	\$3.50 (-.10)

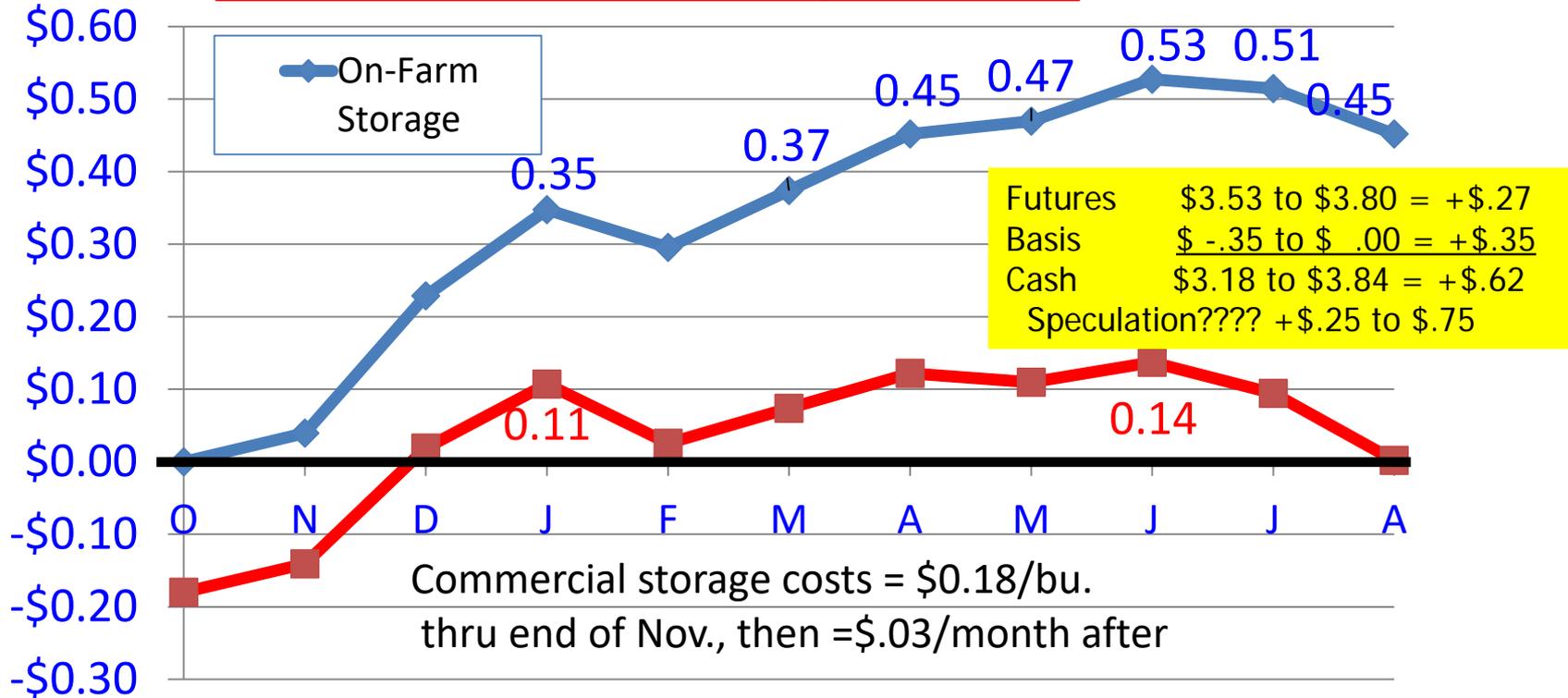
\$3.35-\$3.45

\$3.00-\$4.00

U.S. Ending Stocks to Use: Corn & Soybeans



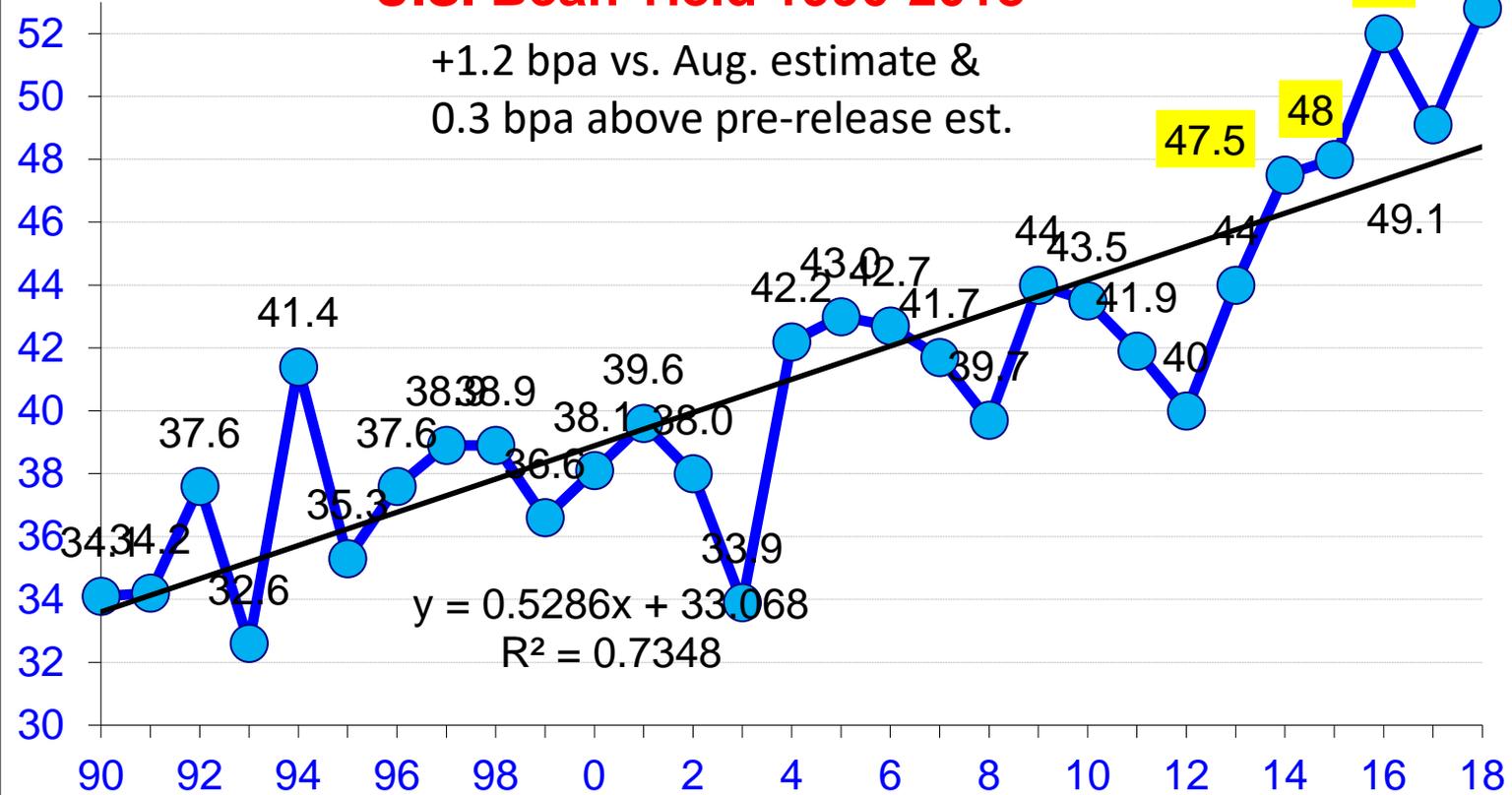
Estimated Net Corn Storage Returns:



Bu/Acre

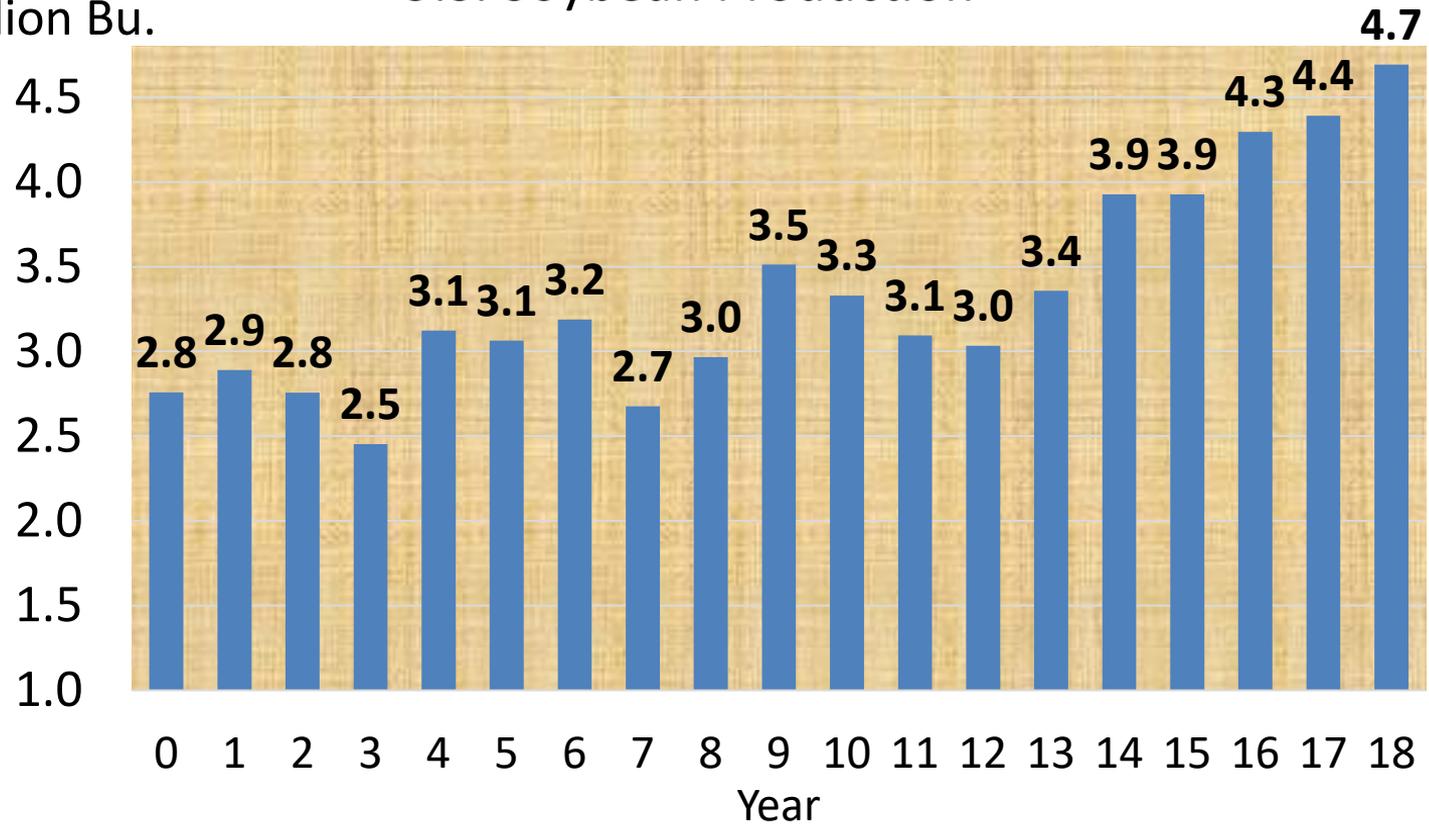
U.S. Bean Yield 1990-2018

+1.2 bpa vs. Aug. estimate &
0.3 bpa above pre-release est.



U.S. Soybean Production

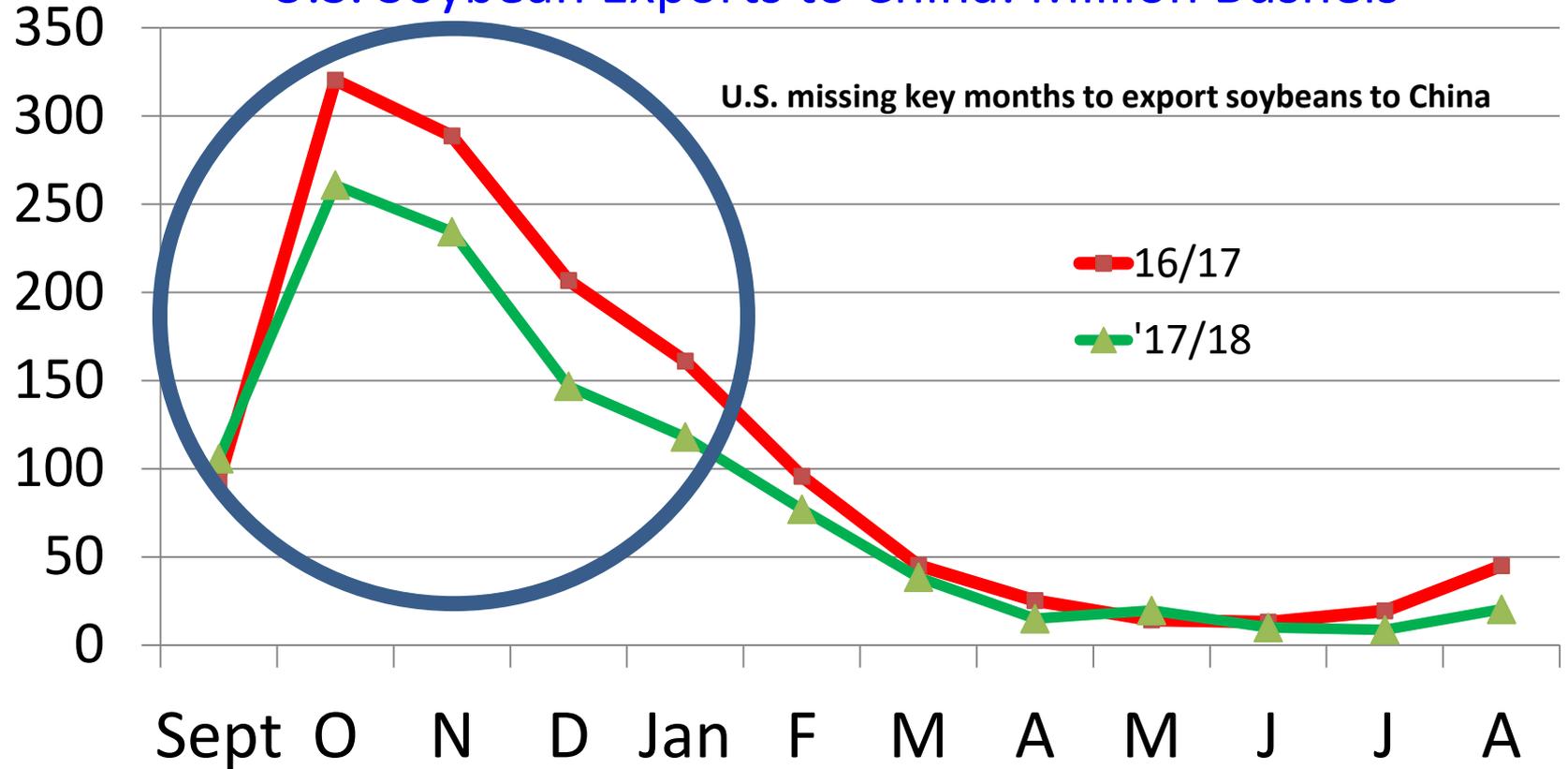
Billion Bu.



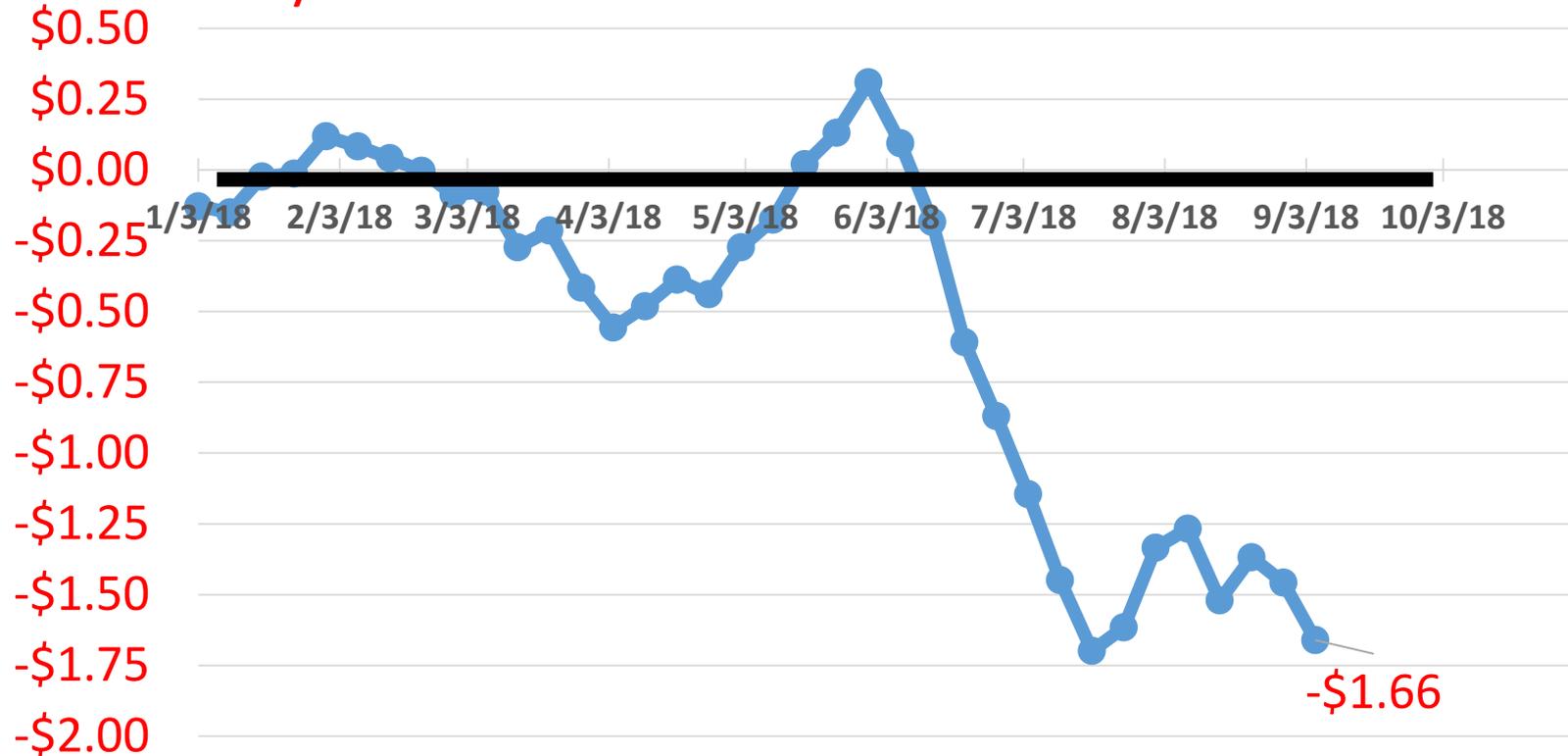
			USDA
			52.8 bu. +1.2 bu.
Soybeans			
	9/12/18	USDA	
	16/17	17/18	18/19
Carry in	197	302	395
Production	4,296	4,392	4,693 (+107)
Total Supply	4,515	4,715	5,113
Seed & Residual	140	136	136
Crush	1,899	2,055 (+15)	2,070 (+10)
Exports	2,174	2,130 (+20)	2,060
Total Use	4,213	4,321	4,268
Ending Stock	302	395 (-35)	845 (+60)
Farm Price	\$9.47	\$9.35	\$8.60 (-.30)

\$7.35-\$9.85

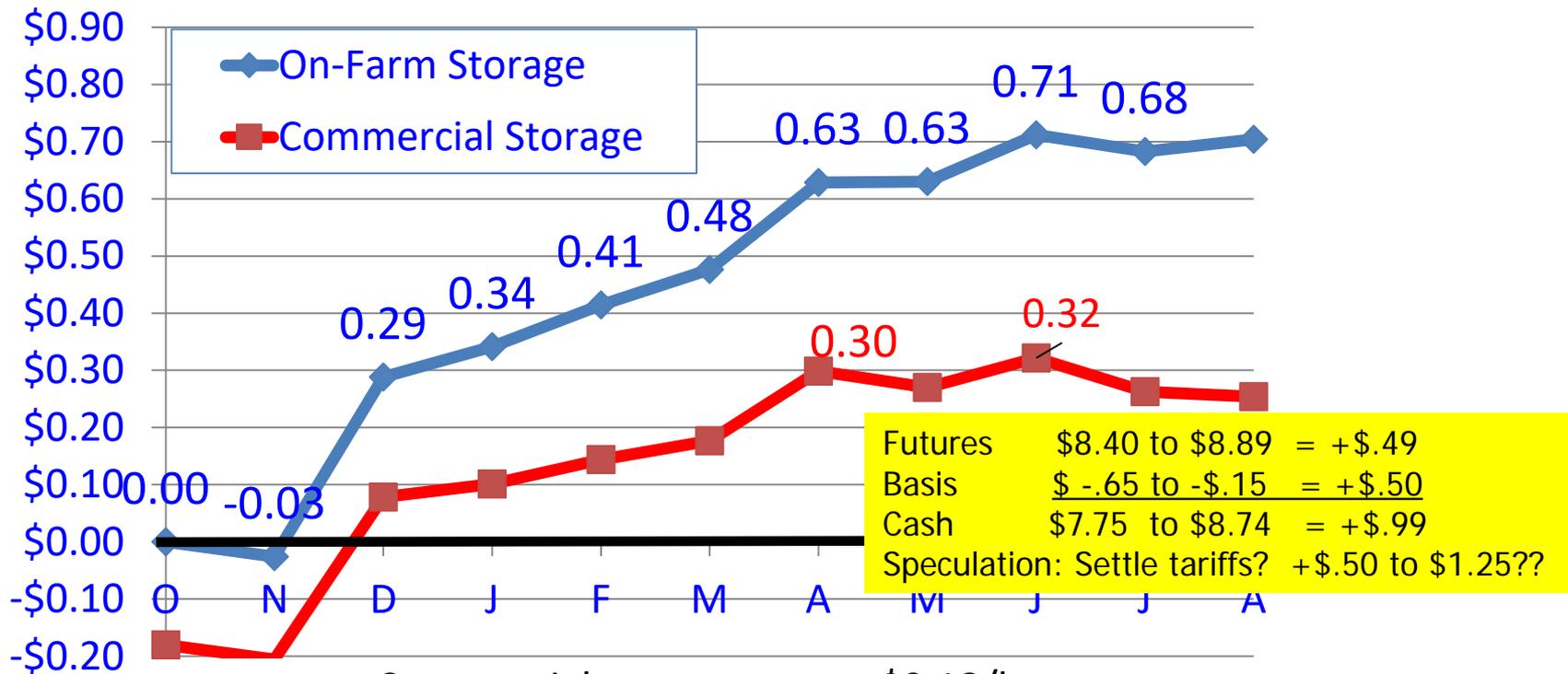
U.S. Soybean Exports to China: Million Bushels



Soybean Prices: U.S. Gulf Minus Brazil Port Price



Estimated Net Soybean Storage Returns:



Commercial storage costs = \$0.18/bu.
thru end of Nov., then =\$.03/month after

Market Facilitation Payments: USDA: August 27

	Initial Payment Rate	Pay On %	USDA Pmnt M\$	% of Payments	Initial MFP Payment/Ac	
					U.S.	IND
Soybeans	\$1.65per bu	50%	\$3,630	77.3%	\$43.56	\$49.50
Pork	\$8.00per head	50%	\$290	6.2%		
Cotton	\$0.06per pound	50%	\$277	5.9%		
Sorghum	\$0.86per bu	50%	\$157	3.3%	\$30.57	
Dairy	\$0.12per cwt	50%	\$127	2.7%		
Wheat	\$0.14per bu	50%	\$119	2.5%	\$3.35	\$4.97
Corn	\$0.01per bu	50%	\$96	2.0%	\$0.91	\$0.96
			<u>\$4,696</u>	<u>100.0%</u>		

Indiana: Higher Revenues and Returns than Last Year

	Corn			MFP	Beans			MFP
	2017	2018	2018	\$0.005	2017	2018	2018	\$0.825
Yield	180	192	192		54	60	60	
Price	\$3.55	\$3.65	\$3.655		\$9.55	\$8.80	\$9.625	
Revenue	\$639	\$701	\$702		\$516	\$528	\$578	
18 vs. 17		\$62	\$63			\$12	\$62	

Crop Marketing Strategies

- 1) Avoid pricing at harvest: Weak Futures & Weak Basis
- 2) Strong price premiums for late-spring or early-summer
- 3) Price speculation possibilities:
 - Corn 25 to 50 cents
 - Soybeans 50 cents to \$1.25 if tariffs are settled
- 4) Use Market Facilitation Payment & FSA Loans to help cash flow

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Purdue Crop Basis Tool

State **Region** **Crop** **Futures Contract** **Crop Year(s)**

Indiana Tippecanoe (W) Corn Nearby

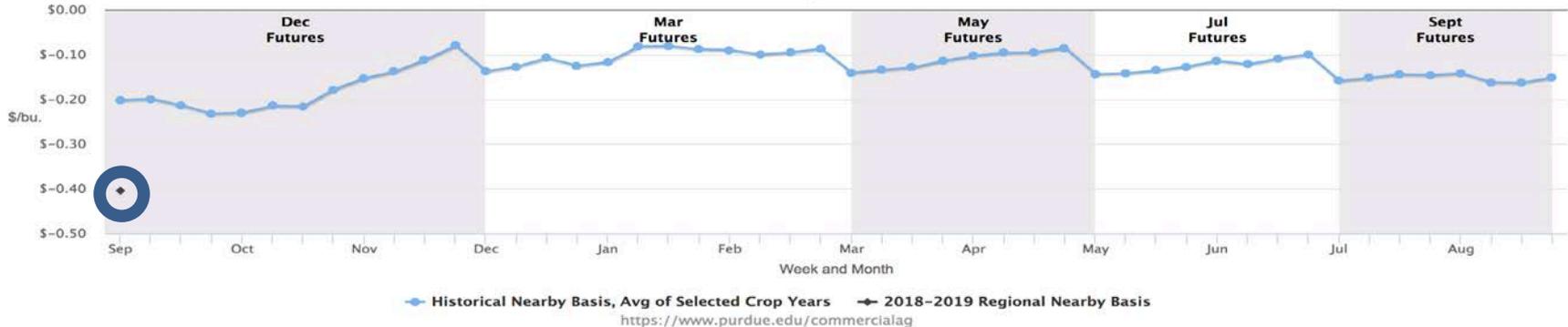
Select Historical Year(s) to Average Across

2017-2018 × 2016-2017 × ▾
2015-2016 ×

Submit

Purdue Center for Commercial Agriculture Crop Basis Tool

Corn: IN WC Region, Nearby Basis, Weekly
Avg. of Selected Historical Crop Years [2015-2016,2016-2017,2017-2018]
vs. Current Crop Year



Purdue Crop Basis Tool

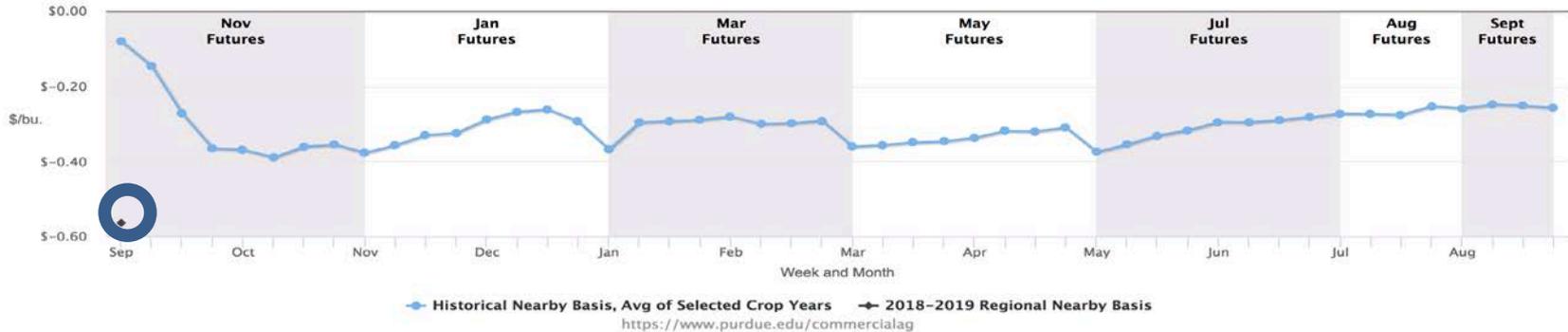
State
Region
Crop
Futures Contract

Crop Year(s)
 Select Historical Year(s) to Average Across

Submit

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN WC Region, Nearby Basis, Weekly
 Avg. of Selected Historical Crop Years [2015-2016,2016-2017,2017-2018]
 vs. Current Crop Year



Change in Production Costs from 2013 to 2019

Source: Purdue Crop Budgets, High Productivity Soils

Crop	\$ per Acre	\$ per Bushel
Corn	-\$29	-\$0.41
Soybeans	-\$14	-\$0.22
Wheat	-\$20	-\$0.86

Current Prices Favor Rotation Soybeans Over Continuous Corn

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=131; SB=43)	Avg. Productivity (C=164; SB=54)	High Productivity (C=196; SB=65)
\$7.50	\$3.86	\$3.77	\$3.65
\$8.00	\$4.02	\$3.94	\$3.82
\$8.50	\$4.19	\$4.10	\$3.98
\$9.00	\$4.35	\$4.27	\$4.15
\$9.50	\$4.52	\$4.43	\$4.31
\$10.00	\$4.68	\$4.60	\$4.48

Continuous Soybeans and Rotation Corn Comparison

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=139; SB=43)	Avg. Productivity (C=174; SB=54)	High Productivity (C=209; SB=65)
\$7.50	\$3.51	\$3.45	\$3.32
\$8.00	\$3.66	\$3.60	\$3.47
\$8.50	\$3.82	\$3.76	\$3.63
\$9.00	\$3.97	\$3.91	\$3.78
\$9.50	\$4.13	\$4.07	\$3.94
\$10.00	\$4.28	\$4.22	\$4.10

Next Webinar:
2019 Ag Outlook
December 19, 2018

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