

# *Ag Outlook Webinar*

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December 19, 2018

**Purdue Top Farmer Conference**  
**January 11, 2019**  
**Pre-Conference, January 10**  
**Beck Agricultural Center, West Lafayette, IN**

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# Ag Economy Barometer: January 2018



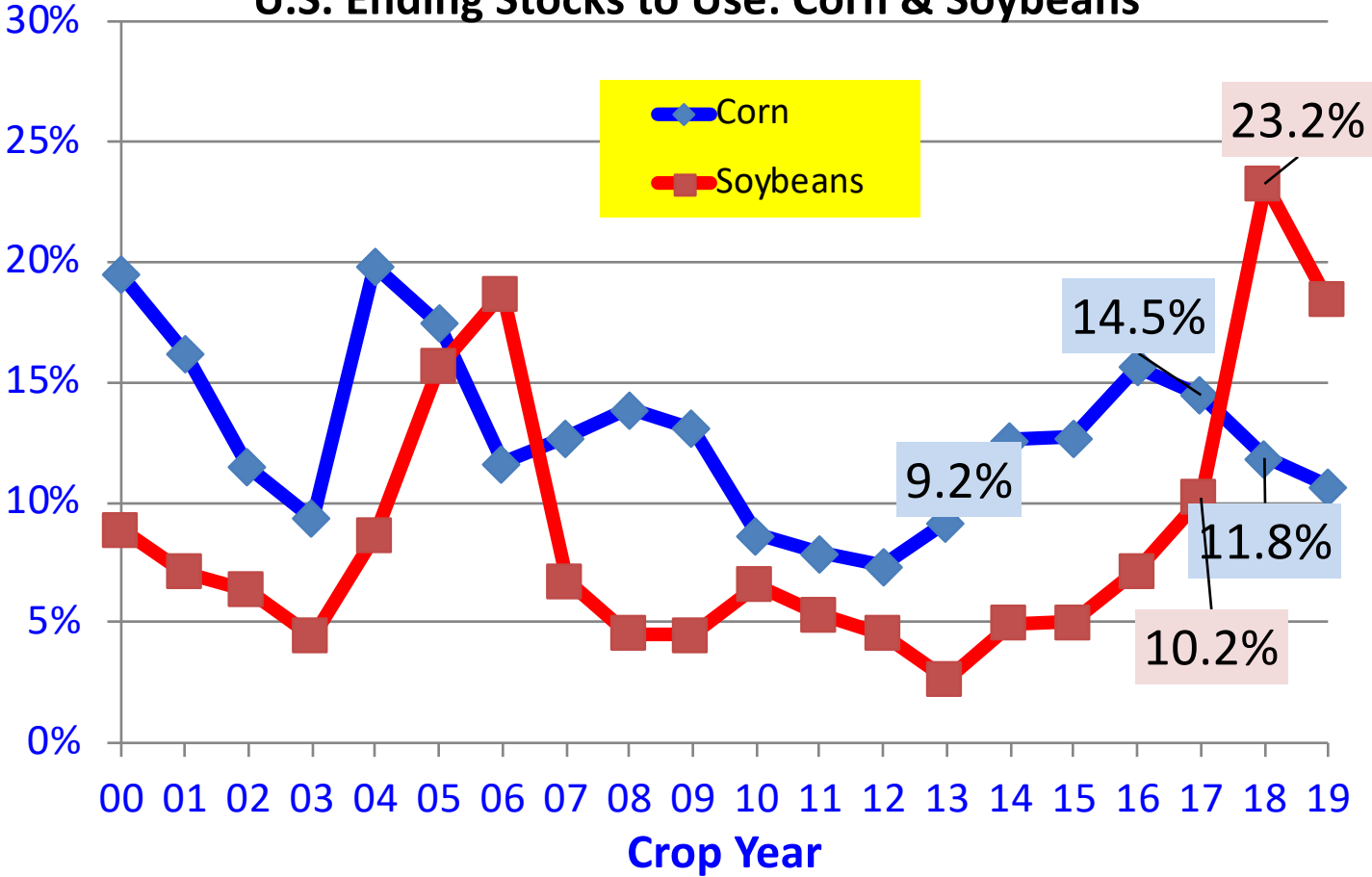
# Ag Economy Barometer: November 2018

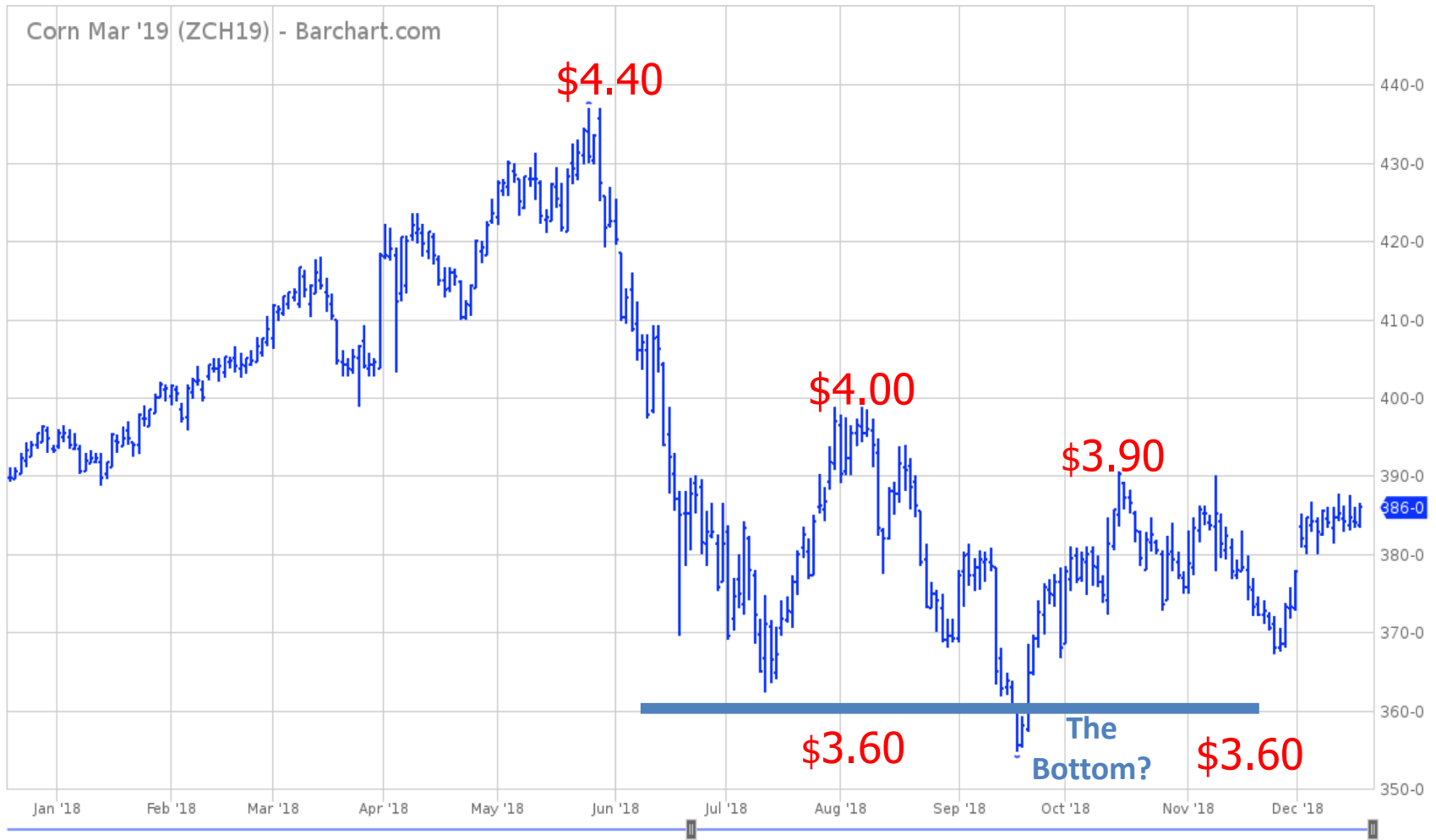


	<b>Corn</b>		<b>USDA 178.9 bu.</b>	<b>Possible Shift from 89.1 to 92 million acres and 178.9 to 176.5 bpa</b>
	<b>12/11/18 16/17</b>	<b>USDA 17/18</b>	<b>18/19</b>	
<b>Carry In</b>	<b>1,737</b>	<b>2,293</b>	<b>2,140</b>	<b>1,781</b>
<b>Production</b>	<b>15,148</b>	<b>14,604</b>	<b>14,626</b>	<b>14,917</b>
<b>Total Supply</b>	<b>16,942</b>	<b>16,934</b>	<b>16,811</b>	<b>16,748</b>
<b>Feed &amp; Residual</b>	<b>5,467</b>	<b>5,302</b>	<b>5,500</b>	<b>5,600</b>
<b>FSI Non-Fuel</b>	<b>1,450</b>	<b>1,453</b>	<b>1,480</b>	<b>1,500</b>
<b>FSI Fuel (Ethanol)</b>	<b>5,439</b>	<b>5,601</b>	<b>5,600 (-50)</b>	<b>5,635</b>
<b>Export</b>	<b>2,293</b>	<b>2,438</b>	<b>2,450</b>	<b>2,400</b>
<b>Total Use</b>	<b>14,649</b>	<b>14,793</b>	<b>15,030</b>	<b>15,135</b>
<b>Ending Stocks</b>	<b>2,293</b>	<b>2,140</b>	<b>1,781 (+45)</b>	<b>1,613</b>
<b>US Farm Price</b>	<b>\$3.36</b>	<b>\$3.36</b>	<b>\$3.60</b>	<b>\$3.90</b>

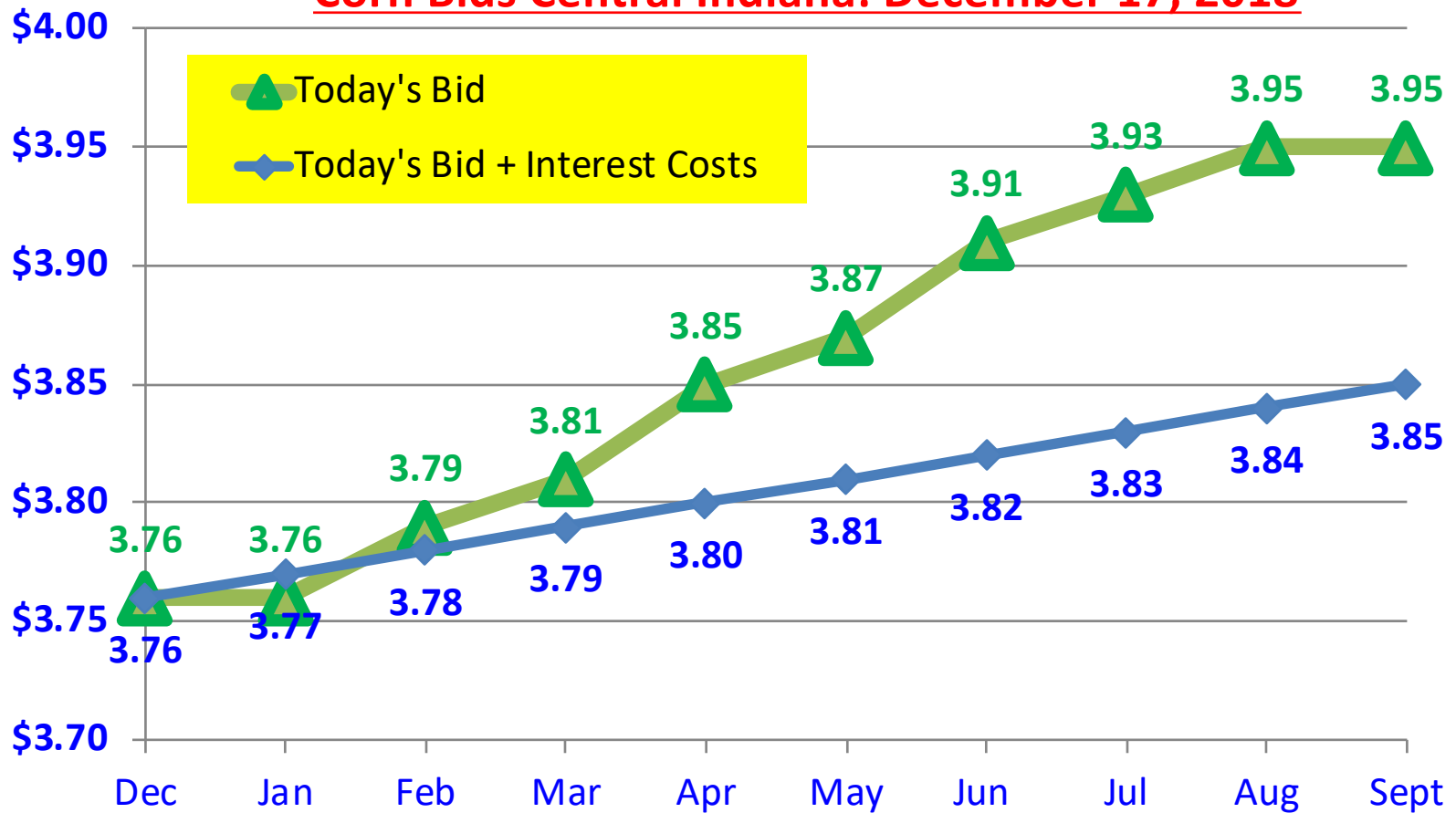
**\$3.25-\$3.95**

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





## Corn Bids Central Indiana: December 17, 2018





	Corn		Beans	
	2017	2018	2017	2018
Yield	180	194	54	60
Ind Price	\$3.56	\$3.750	\$9.61	\$8.800
TradeAssistance		\$0.005		\$0.825
	\$3.56	\$3.755	\$9.61	\$9.625
Revenue/Acre	\$640.80	\$728.47	\$518.94	\$577.50
18 vs. 17		<u>\$88</u>		<u>\$59</u>

Harvested Acres (Million)	5.2 m	5.9 m
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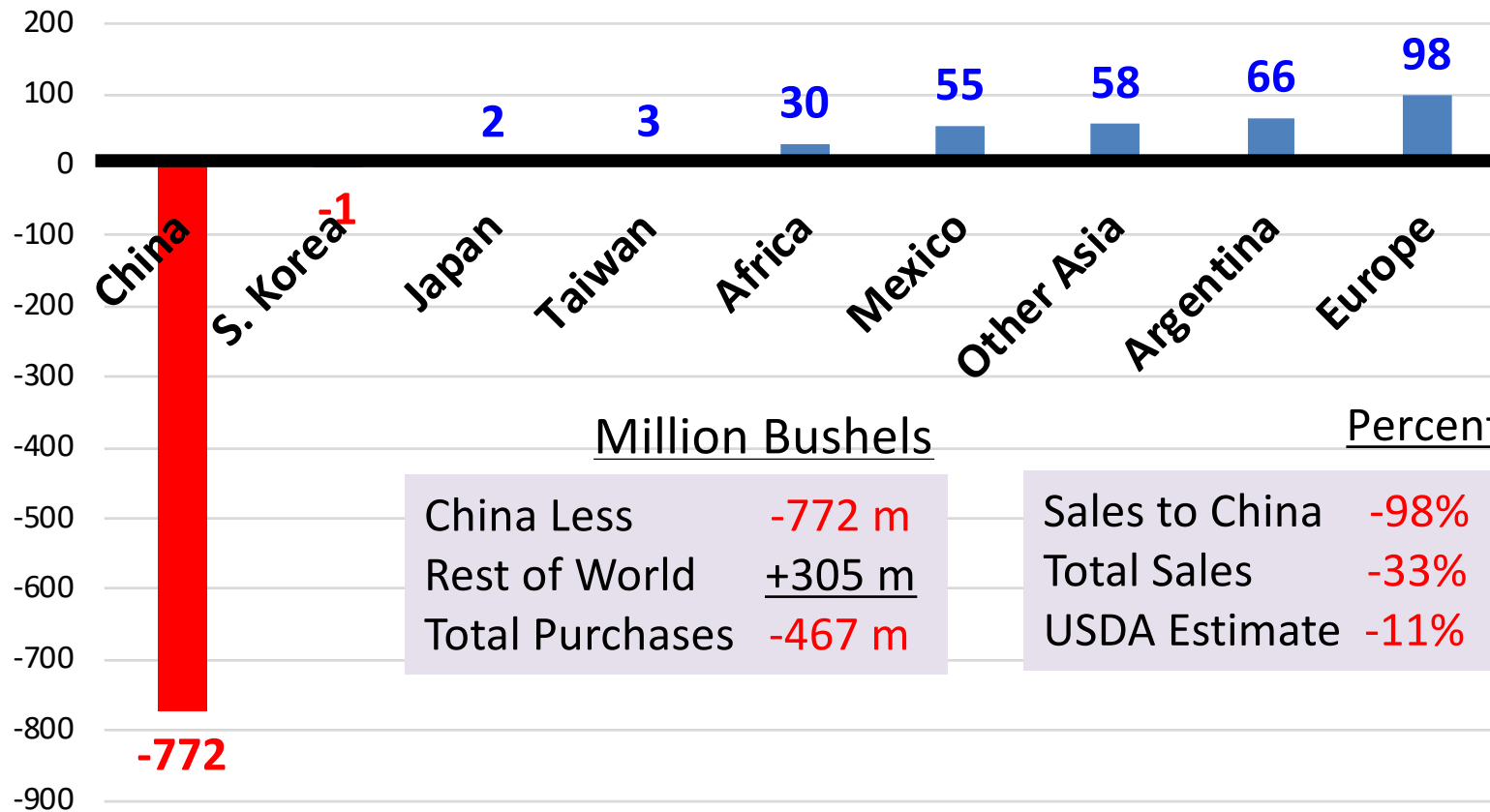
Indiana Farm Income 2017 = \$1.6 billion + \$700 million

	<b>Soybeans</b>		<u>USDA</u> 52.1 bu.	Possible Shift from 89.1 to 82.5 million acres and 52.1 to 50 bpa
	<b>12/11/18</b> 16/17	<b>USDA</b> 17/18	<b>18/19</b>	<b>19/20</b>
<b>Carry in</b>	197	302	438	955
<b>Production</b>	4,296	4,411	4,600	4,089
<b>Total Supply</b>	4,515	4,734	5,063	5,069
<b>Seed &amp; Residual</b>	140	112	128	120
<b>Crush</b>	1,899	2,055	2,080	2,110
<b>Exports</b>	2,174	2,129	1,900	2,050
<b>Total Use</b>	4,213	4,296	4,107	4,280
<b>Ending Stock</b>	302	438	955	789
<b>Farm Price</b>	\$9.47	\$9.33	\$8.60	\$8.80

\$7.85-\$9.35

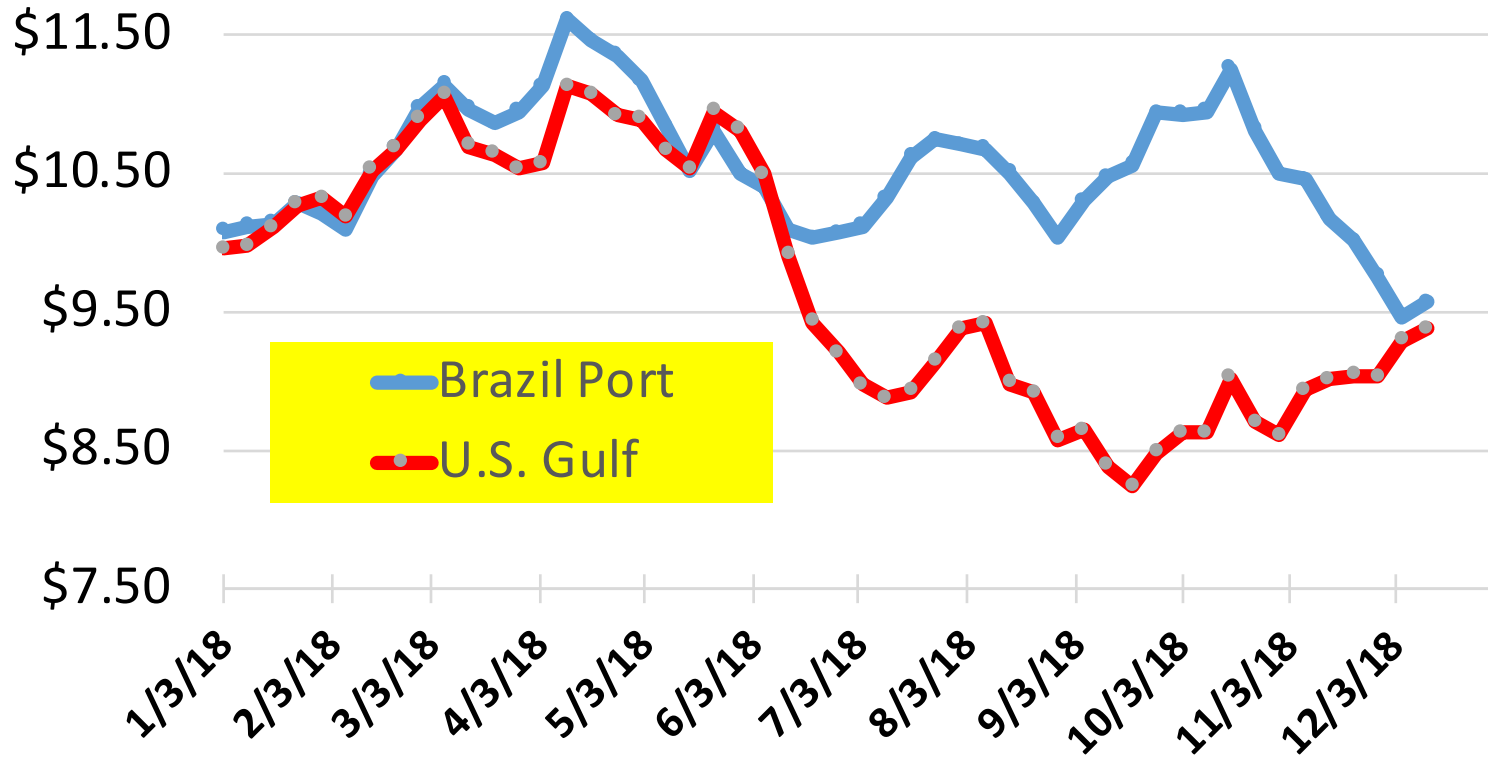
## Change In Soybean Purchases 18/19 Vs. 17/18 as of 12/6/2018

Million Bushels



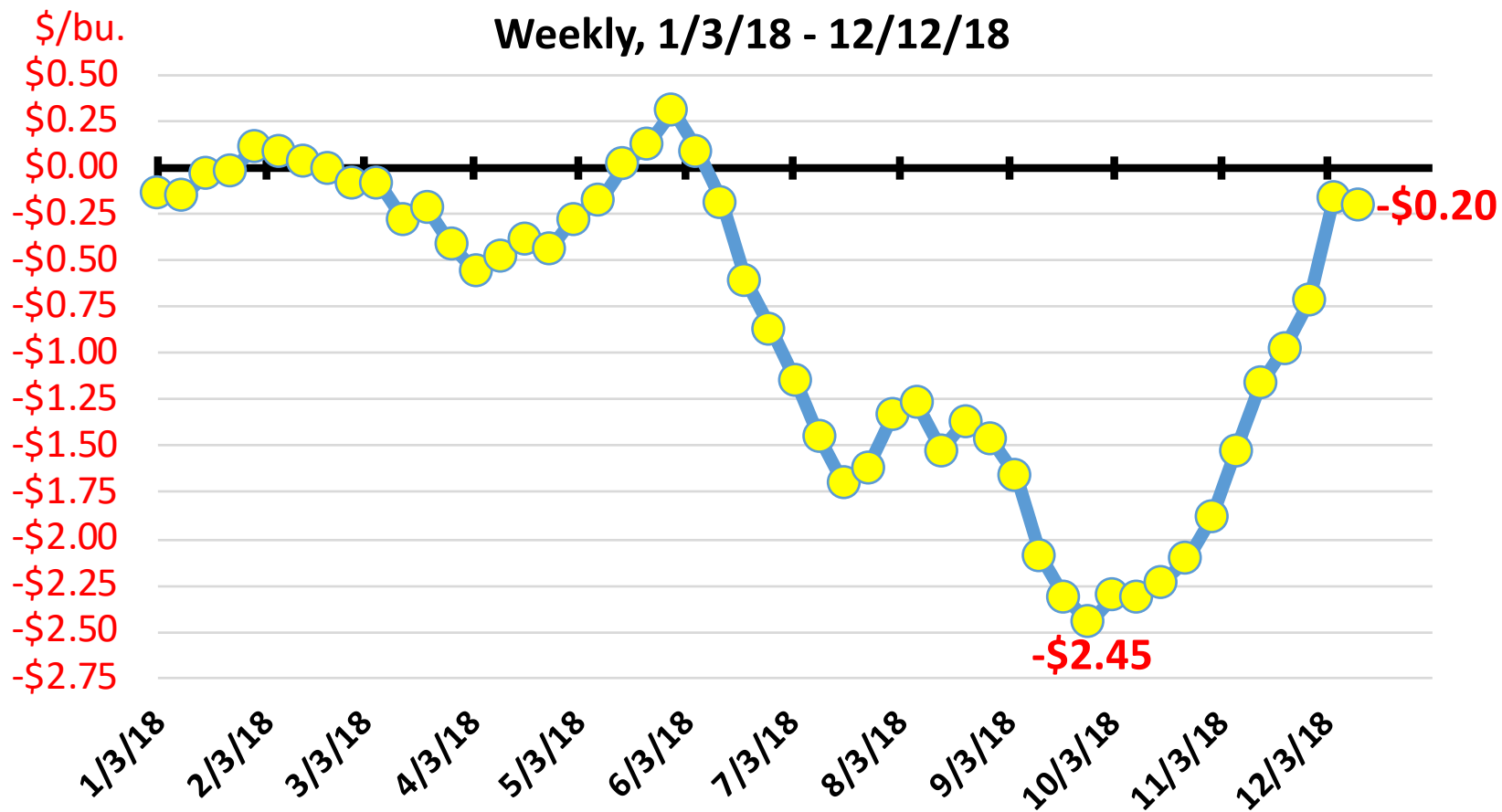
Million Bushels		Percent	
China Less	-772 m	Sales to China	-98%
Rest of World	+305 m	Total Sales	-33%
Total Purchases	-467 m	USDA Estimate	-11%

## Soybean Prices: Brazil Port & U.S. Gulf: \$/bu.

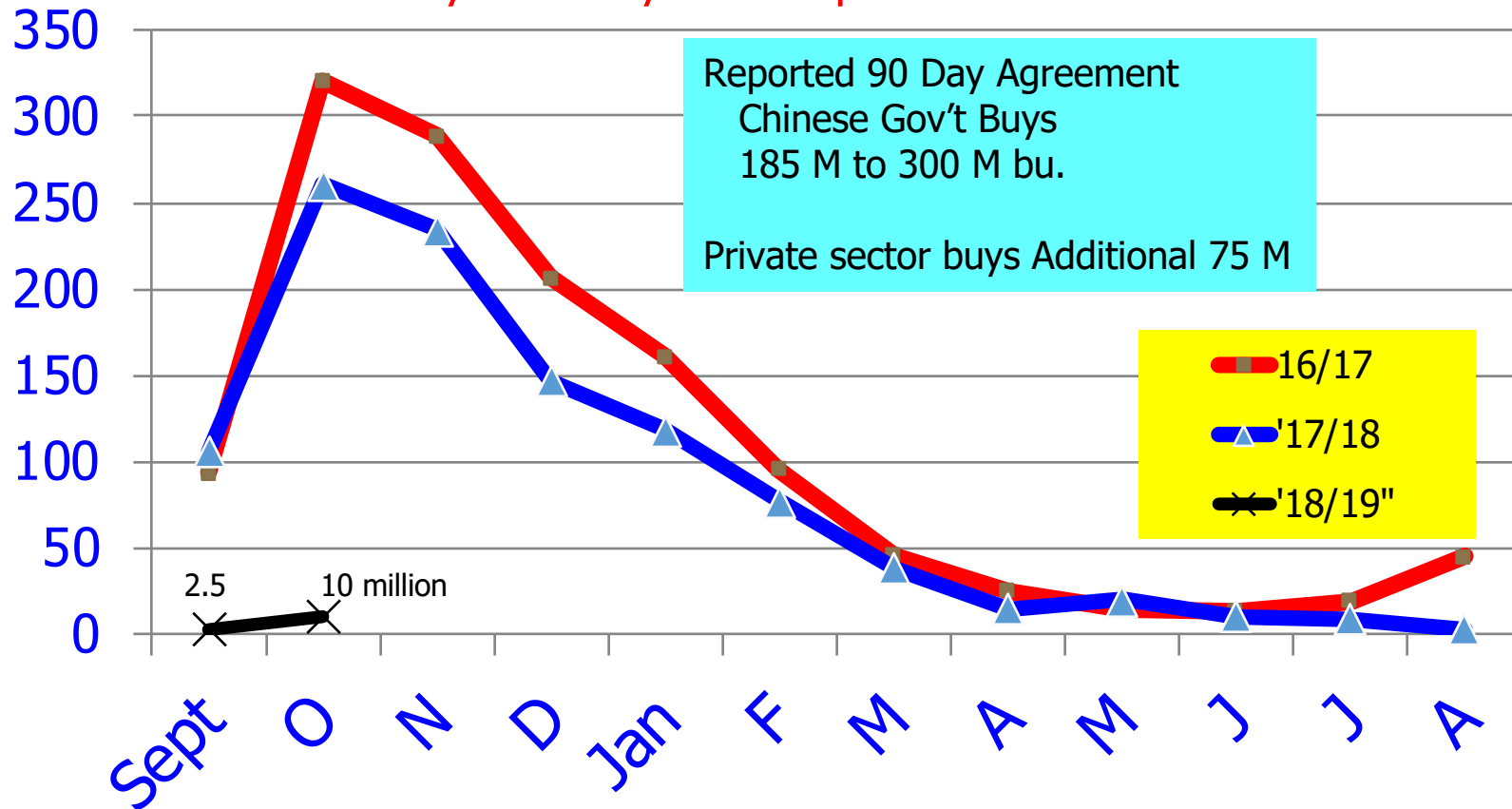


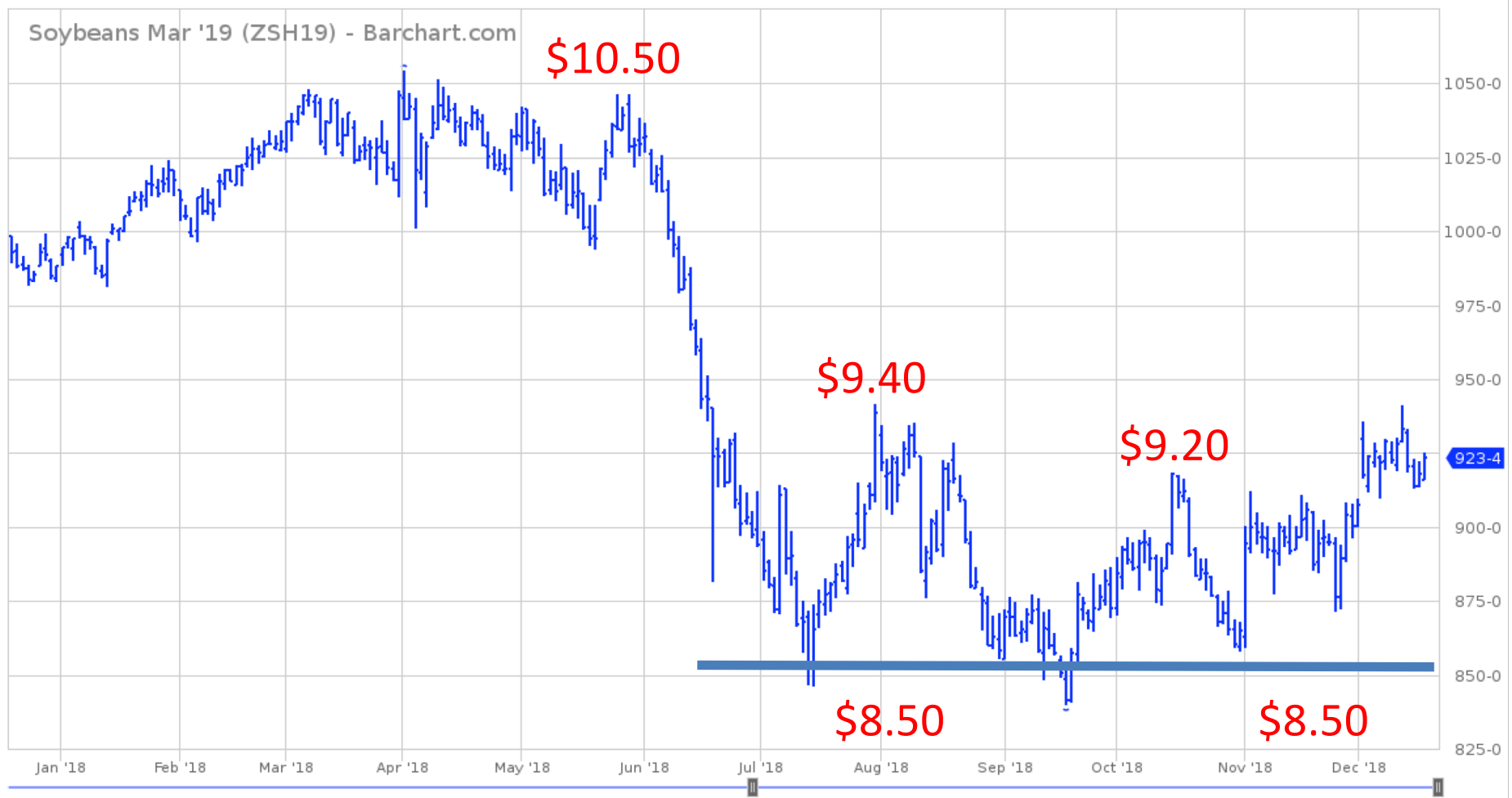
# Soybean Prices: U.S. Gulf Minus Brazil Port

Weekly, 1/3/18 - 12/12/18

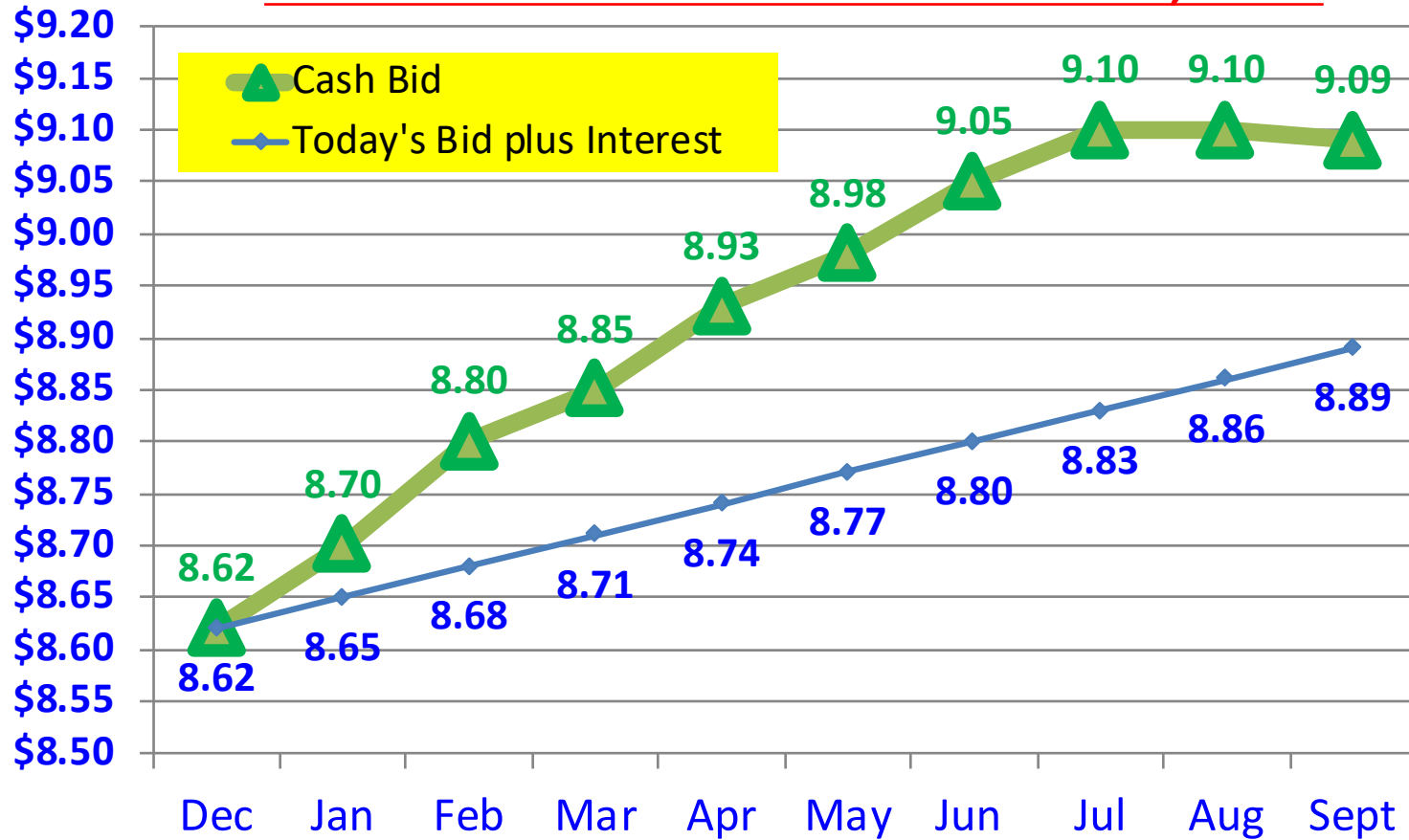


## Monthly U.S. Soybean Exports to China : Million Bu.





## Bean Bids Central Indiana: December 17, 2018:





# What is My Cost of Production?

## Illustrated Below: High Productivity Soil

Cost Category	Rotation Corn	Rotation Soybeans
Land (Fixed)	\$1.26	\$4.06
Fertilizer (Variable)	\$0.65	\$0.92
Machinery (Var. and Fixed)	\$0.58	\$1.69
Seed (Variable)	\$0.53	\$1.03
Pesticides (Variable)	\$0.28	\$0.77
Labor (Fixed)	\$0.20	\$0.63
<b>Sub-Total</b>	<b>\$3.50</b>	<b>\$9.11</b>
<b>Total Cost per Bushel</b>	<b>\$4.02</b>	<b>\$9.85</b>

## Current Prices Favor Soybeans Over Continuous Corn

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

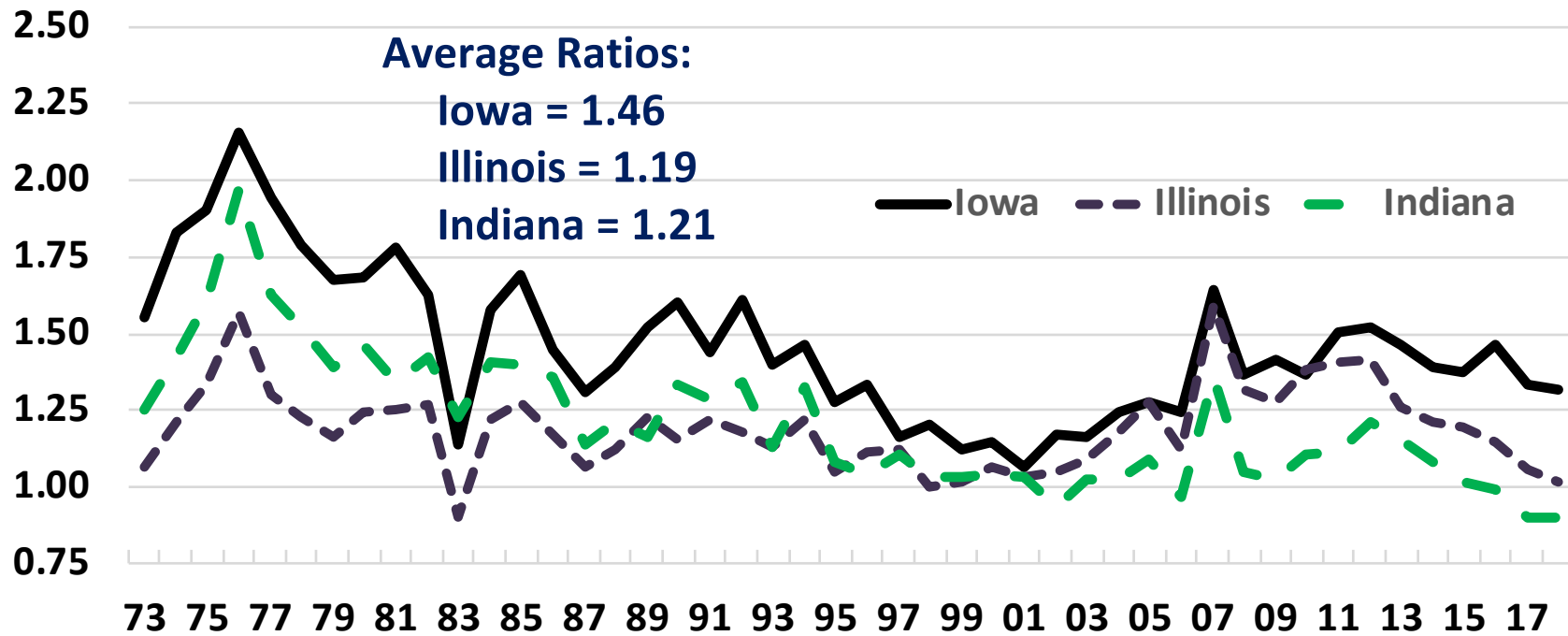
Soybean Price	Low Productivity (C=131; SB=43)	Avg. Productivity (C=164; SB=54)	High Productivity (C=196; SB=65)
\$7.50	\$3.83	\$3.74	\$3.61
\$8.00	\$3.99	\$3.91	\$3.78
\$8.50	\$4.16	\$4.07	\$3.95
\$9.00	\$4.32	\$4.24	\$4.11
\$9.50	\$4.48	\$4.40	\$4.28
\$10.00	\$4.65	\$4.57	\$4.44

## Soybeans Versus Rotation Corn?

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	\$3.49	\$3.43	\$3.29
\$8.00	\$3.64	\$3.58	\$3.45
\$8.50	\$3.79	\$3.74	\$3.61
\$9.00	\$3.95	\$3.89	\$3.76
\$9.50	\$4.10	\$4.05	\$3.92
\$10.00	\$4.26	\$4.20	\$4.07

## Ratio of Corn to Soybean Acreage in the U.S. Corn Belt Iowa, Illinois, and Indiana



# 2018 Farm Bill

- **2018 Farm Bill continues the programs of the 2014 Farm Bill (ARC; PLC)**
  - Choose PLC or ARC-CO for 2019 and 2020 crop years (2 year election)
  - Starting in 2021 crop year, farms will make ARC/PLC election each year
- **Crop Yields Used for PLC & ARC-CO**
  - Option to update PLC program yields...more details to come
  - Changes to ARC-CO yield computations...trend adjusted
  - Net effect, yields used to compute payments will increase

# 2018 Farm Bill (continued)

## PLC Reference Prices

- Initial reference prices unchanged from 2014 -\$3.70 (corn), \$8.40 (soybeans)
- But 2018 Farm Bill includes an escalator clause which could be used to boost reference prices in future years
- For 2019-2020, the escalator appears unlikely to come into play reference prices will remain at \$3.70 (corn) & \$8.40 (soybeans)

## Choosing Between ARC-CO & PLC for 2019-2020

- More analysis needed, initial reaction
  - Corn: PLC could be attractive
  - Soybeans: Tougher choice between ARC-CO & PLC

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