

# 2015-2016 Crop Outlook

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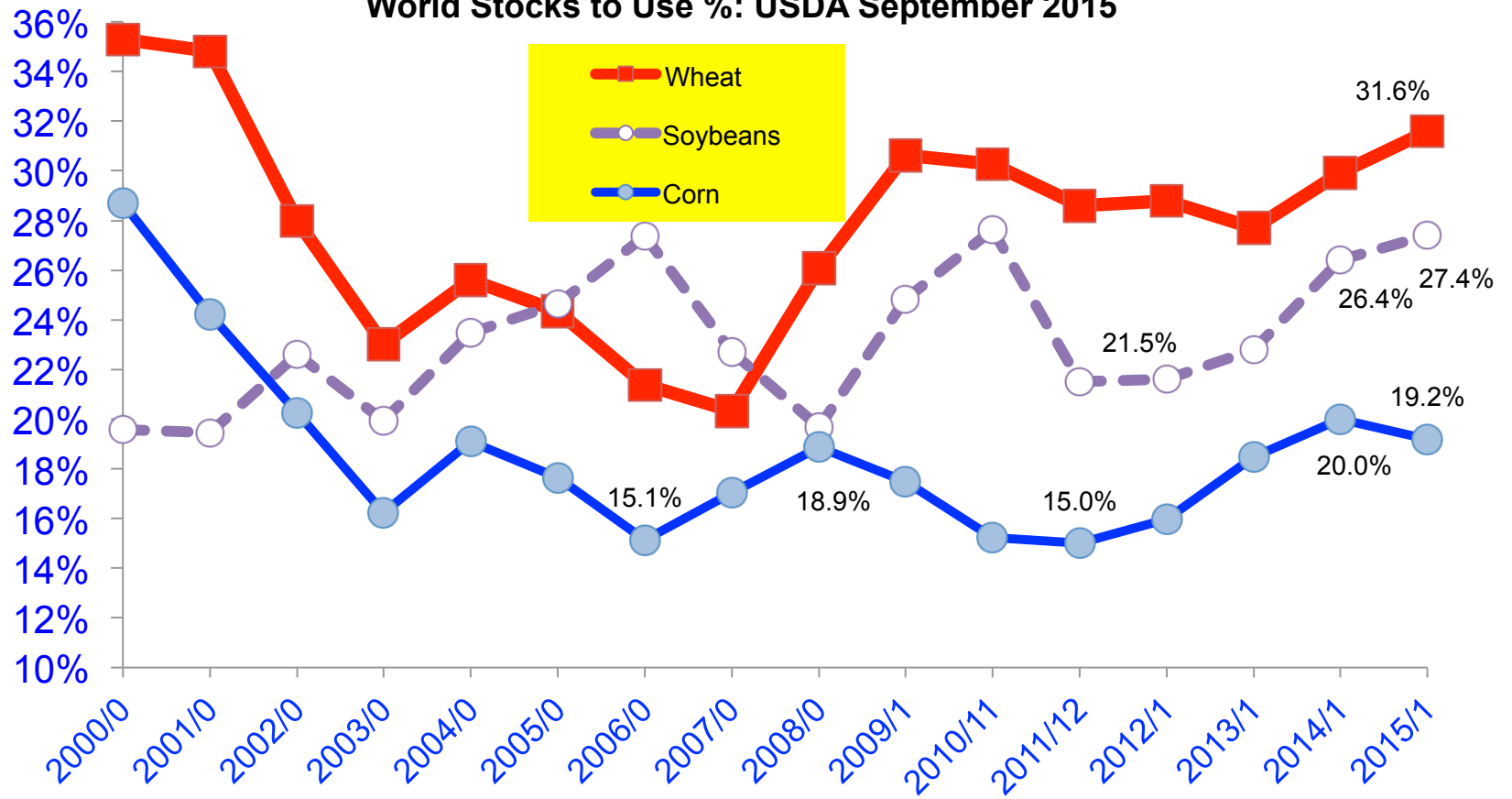
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## Why are Grain Prices lower?

- World Supply continues to outpace Demand growth. Acreage continues to grow
- U.S. and Global yields were very good in 2014, above average in 2015
- World inventories of soybeans and wheat are growing

World Inventory for 2015 Crops		2013	2014	2015
	Corn	\$4.46	\$3.68	\$3.75
	Soybeans	\$13.00	\$10.06	\$9.15
	Wheat	\$6.87	\$5.99	\$5.00

World Stocks to Use %: USDA September 2015



## Weaker world demand due to:

- Weak developing economy income growth
- Strong U.S. dollar
- Excess supplies of oil and general commodity weakness



### Exchange Rate Changes

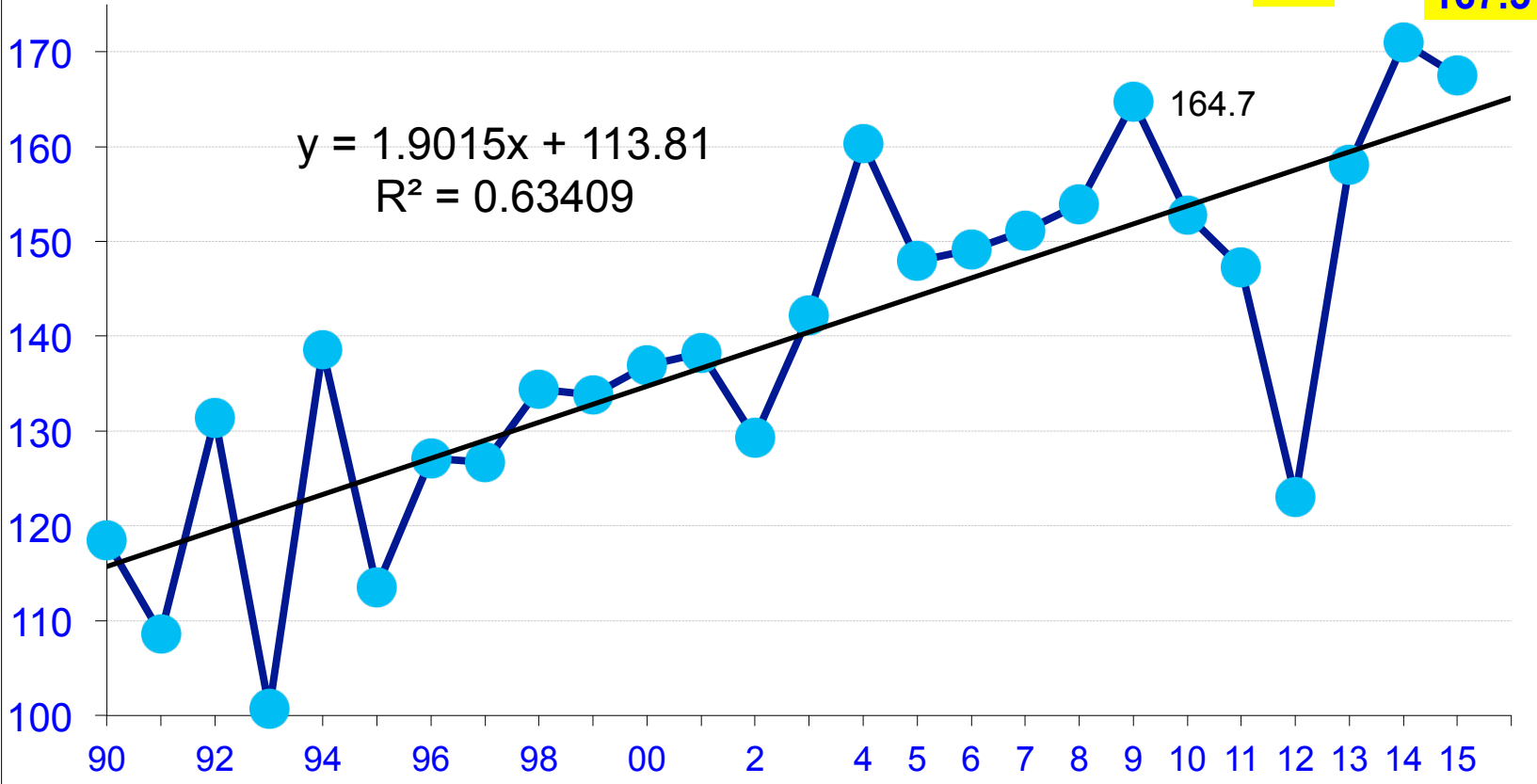
#### As Sellers

	Today vs. Year-Ago
Argentina	-10%
Brazil	-40%
Russia	-45%

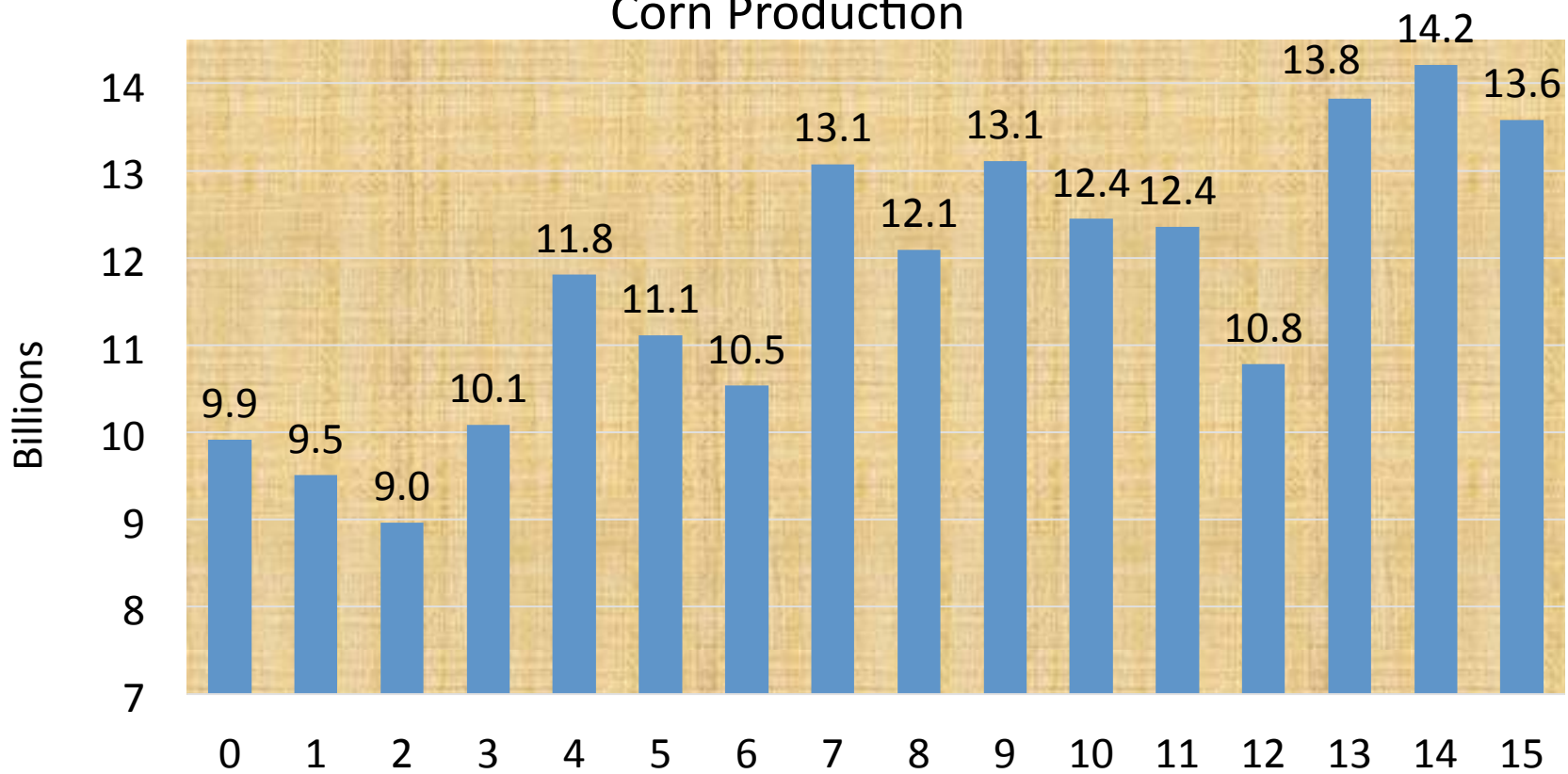
#### As Buyers

China	-4%
Japan	-12%
Mexico	-21%
Korea	-15%

### Corn Yield: 1990-2015



## Corn Production

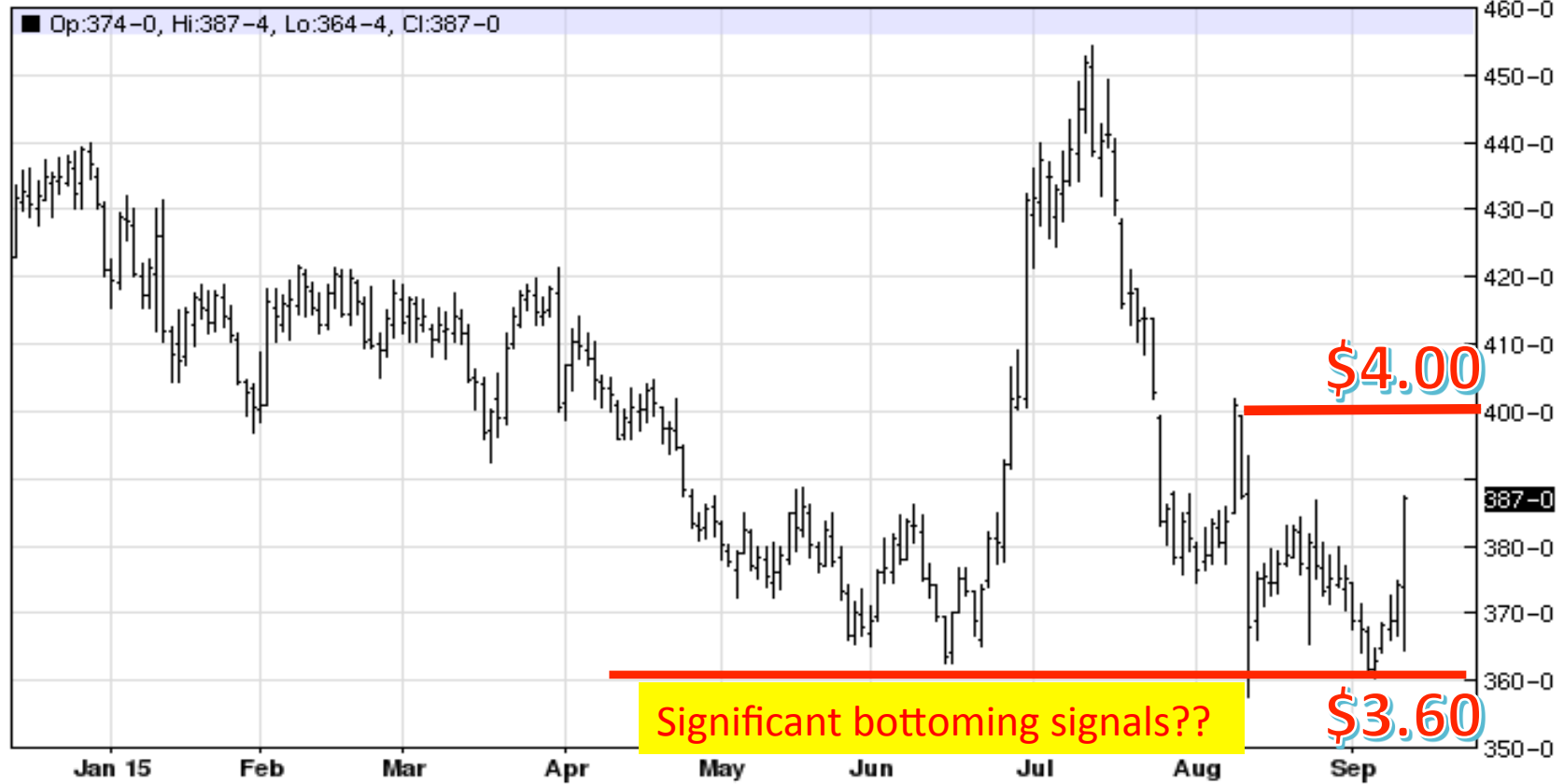


**Corn: USDA****9/11/15****Purdue**

	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>15/16</b>
<b>Carry In</b>	<b>989</b>	<b>821</b>	<b>1,232</b>	<b>1,732</b>	<b>1,732</b>
<b>Production</b>	<b>10,755</b>	<b>13,829</b>	<b>14,216</b>	<b>13,585</b>	<b>13,534</b>
<b>Total Supply</b>	<b>11,932</b>	<b>14,686</b>	<b>15,477</b>	<b>15,347</b>	<b>15,286</b>
<b>Feed</b>	<b>4,336</b>	<b>5,036</b>	<b>5,300</b>	<b>5,275</b>	<b>5,325</b>
<b>FSI Non-Fuel</b>	<b>1,396</b>	<b>1,367</b>	<b>1,365</b>	<b>1,380</b>	<b>1,380</b>
<b>Ethanol</b>	<b>4,648</b>	<b>5,134</b>	<b>5,205</b>	<b>5,250</b>	<b>5,250</b>
<b>Exports</b>	<b>731</b>	<b>1,917</b>	<b>1,825</b>	<b>1,850</b>	<b>1,850</b>
<b>Total Use</b>	<b>11,111</b>	<b>13,454</b>	<b>13,745</b>	<b>13,775</b>	<b>13,805</b>
<b>Carry over</b>	<b>821</b>	<b>1,232</b>	<b>1,732</b>	<b>1,592</b>	<b>1,481</b>
<b>U.S. Price</b>	<b>\$6.89</b>	<b>\$4.46</b>	<b>\$3.68</b>	<b>\$3.75</b>	<b>\$3.85</b>

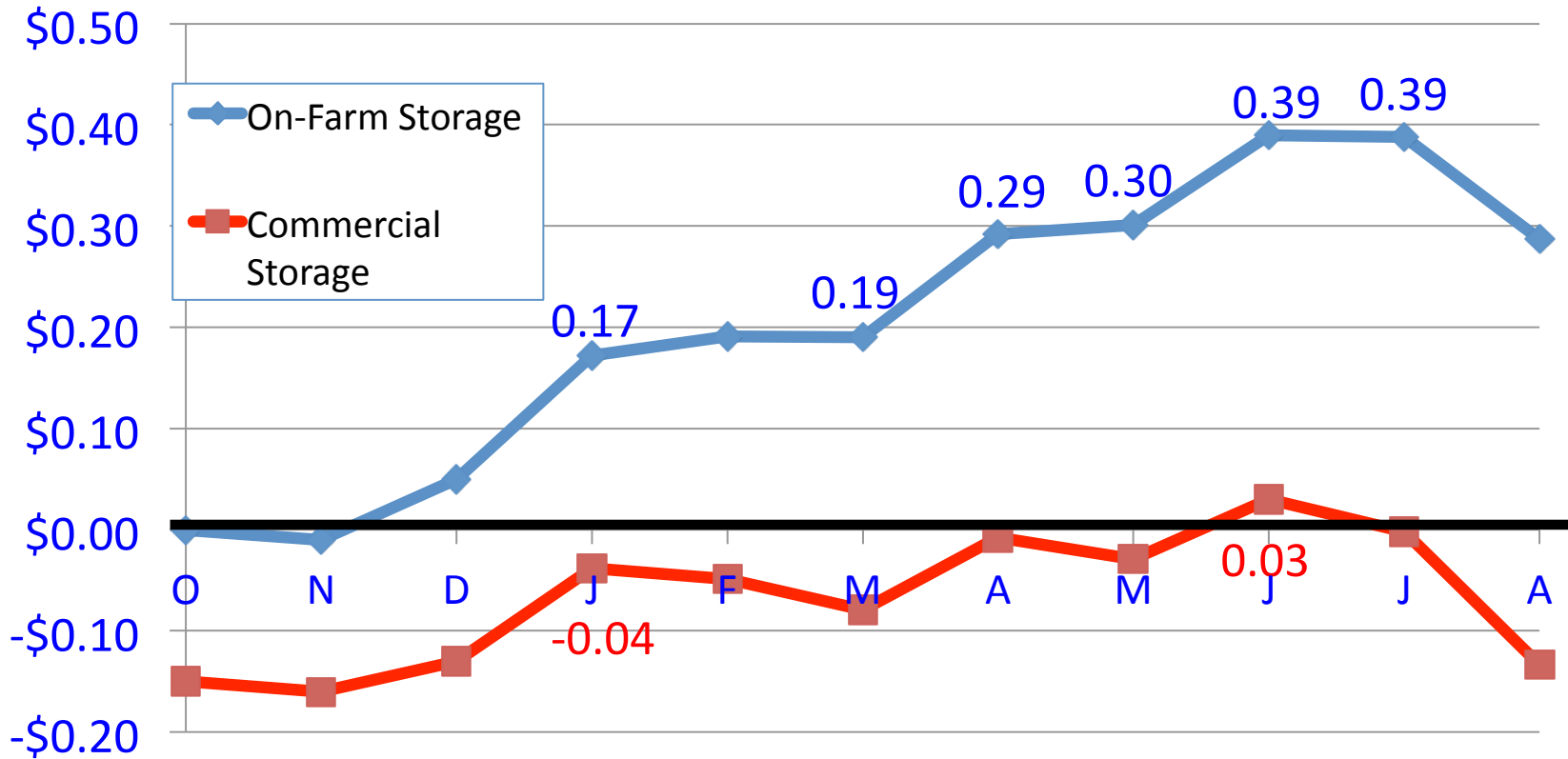
**\$3.45-4.05    \$3.55-\$4.15**

### ZCZ15 - Corn - Daily OHLC Chart





## Estimated Net Corn Storage Returns: September 2015



## Corn Marketing Strategies

1. Abundant storage in Eastern Corn Belt: Strong Harvest Basis
2. Tight storage supplies in Western Corn Belt: Weak Harvest Basis
3. East: Plan to earn 45-50 cents of carry:
  - ✓ 24 cents in futures and 25 cents in basis by spring or early summer
4. West: Plan to earn 50-60 cents of carry:
  - ✓ 24 cents in futures and 30-35 basis by spring or early summer
5. Crop Insurance in Eastern Corn Belt
6. Strong potential for 2015 ARC County Payments in East (Pay October 2016)
7. Similar corn acres for 2016, increased usage, slightly stronger prices

## 2015 Crop Insurance Payout

Insurance PAYS below this New Crop Futures Price

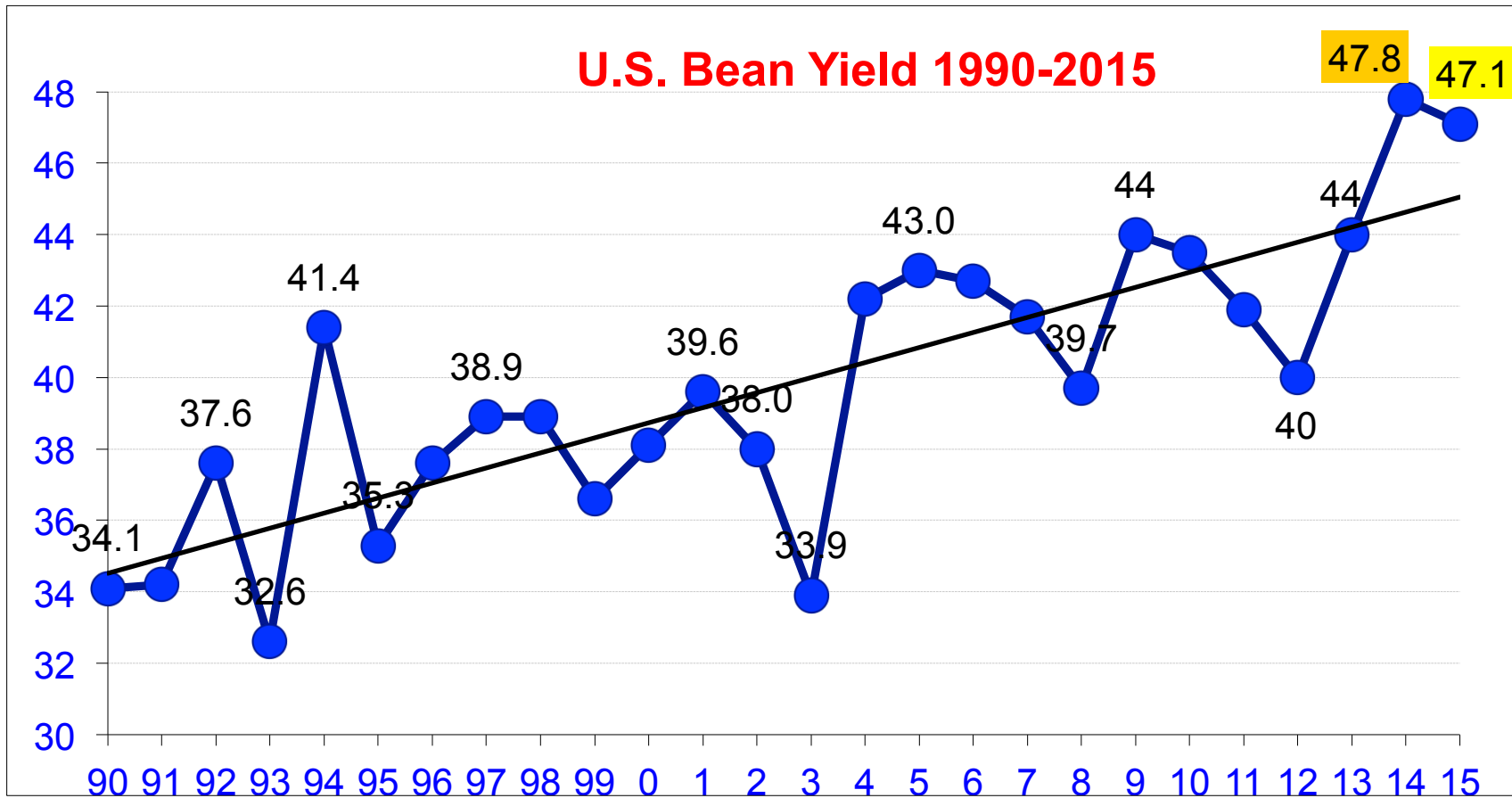
	Coverage	Base Price	APH bu.	Revenue Guarantee	2015 Yields			
					At APH	5% Under APH	10% Under APH	20% Under APH
<b><u>Corn</u></b>	85%	\$4.15	170	\$599.68	\$3.53	\$3.71	\$3.92	\$4.41
	80%	\$4.15	170	\$564.40	\$3.32	\$3.49	\$3.69	\$4.15
	75%	\$4.15	170	\$529.13	\$3.11	\$3.28	\$3.46	\$3.89
<b><u>Soybeans</u></b>	85%	\$9.73	50	\$413.53	\$8.27	\$8.71	\$9.19	\$10.34
	80%	\$9.73	50	\$389.20	\$7.78	\$8.19	\$8.65	\$9.73
	75%	\$9.73	50	\$364.88	\$7.30	\$7.68	\$8.11	\$9.12

# Crop Insurance Price is Dec/Nov Futures in October

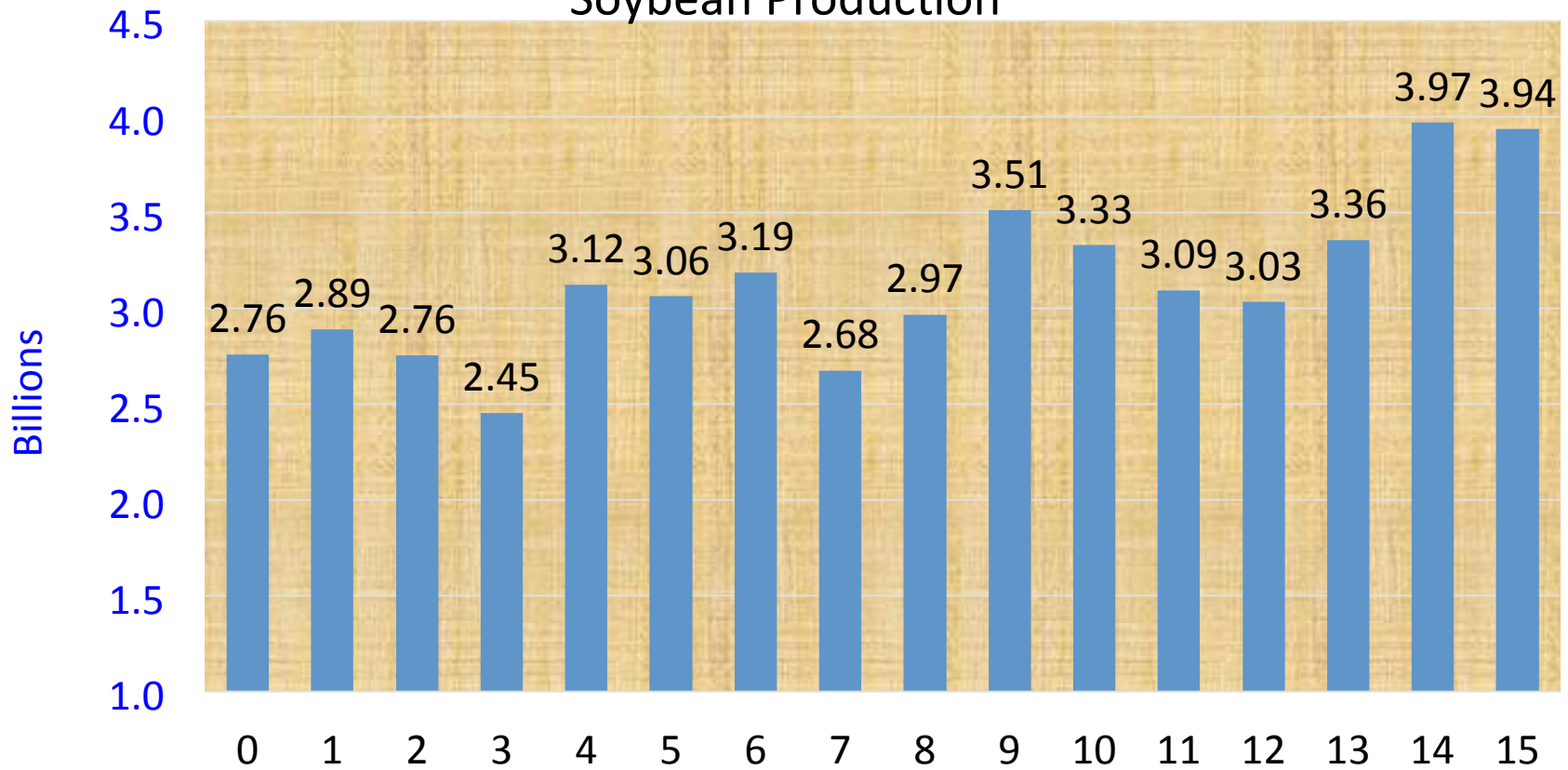


# Soybeans and Protein Meals

## U.S. Bean Yield 1990-2015



## Soybean Production



## Soybeans: USDA

**9/11/15**

**Purdue**

	12/13	13/14	14/15	15/16	15/16
<b>Carry In</b>	169	141	92	210	210
<b>Production</b>	3,034	3,358	3,969	3,935	3,814
<b>Total Supply</b>	3,239	3,570	4,091	4,175	4,154
<b>Seed &amp; Res.</b>	89	97	179	130	125
<b>Crush</b>	1,689	1,734	1,870	1,870	1,880
<b>Exports</b>	1,320	1,647	1,835	1,725	1,735
<b>Total Use</b>	3,098	3,478	3,884	3,725	3,740
<b>Carry Over</b>	141	92	210	450	414
<b>U.S. Price</b>	\$14.40	\$13.00	\$10.06	\$9.15	\$9.40

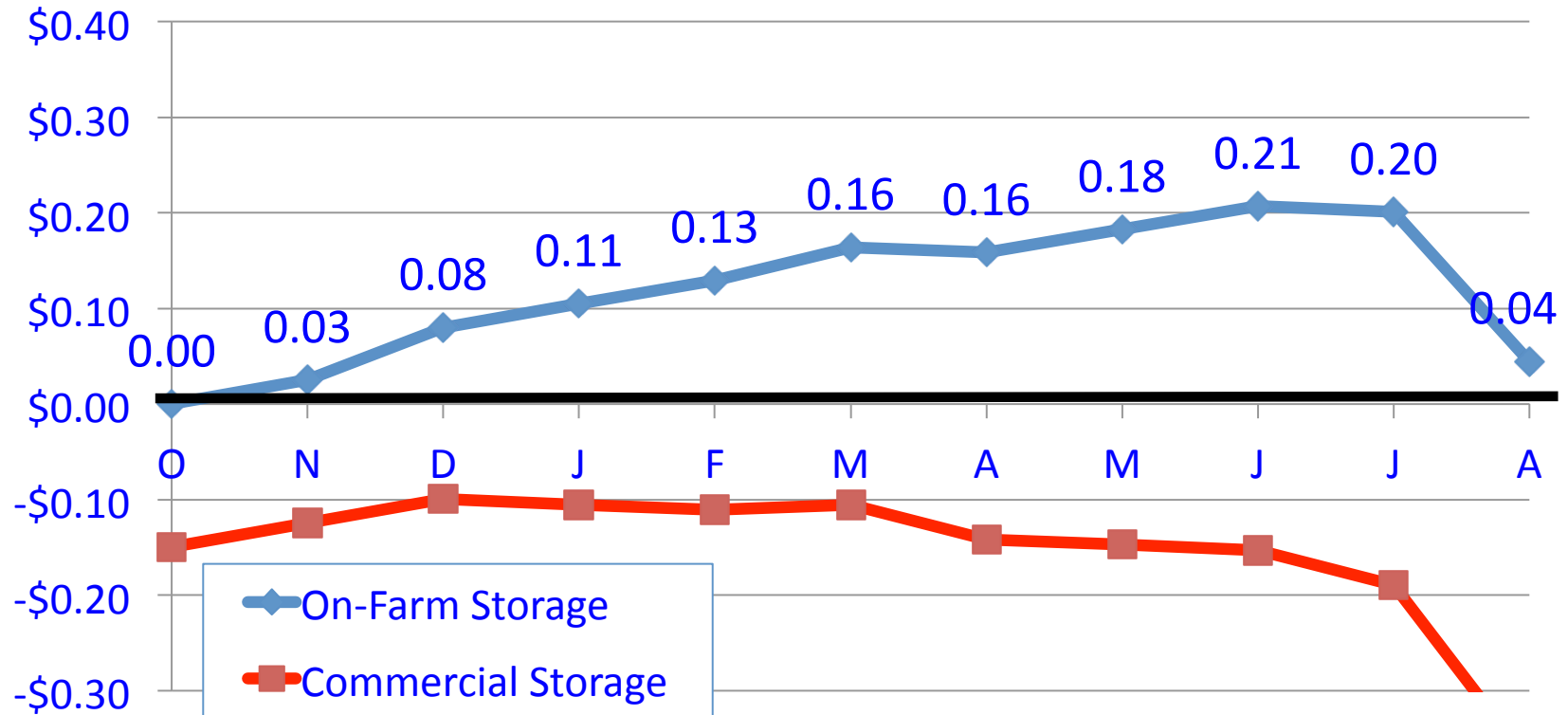
**\$8.40-\$9.90    \$8.65-\$10.15**

ZSX15 - Soybeans - Daily OHLC Chart

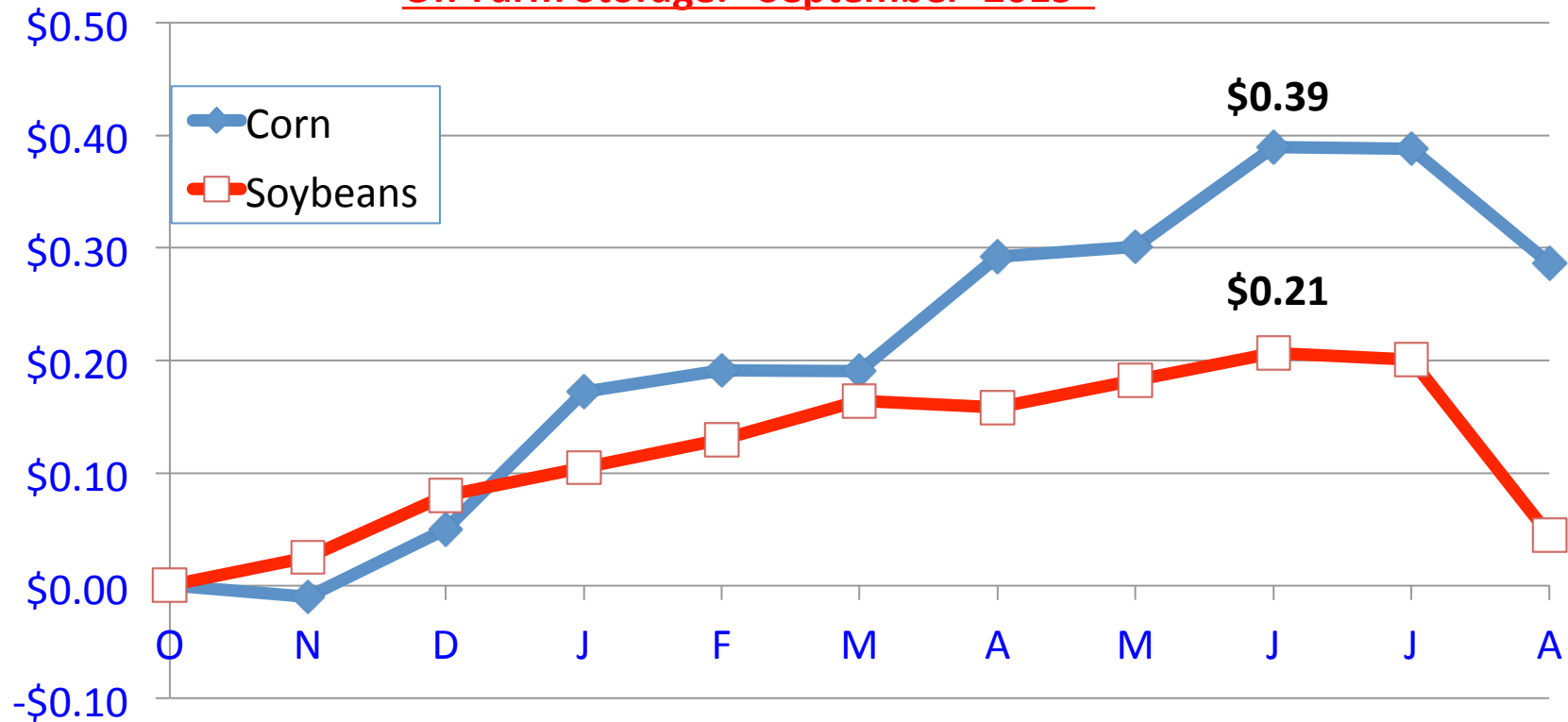




## Estimated Net Soybean Storage Returns: September 2015



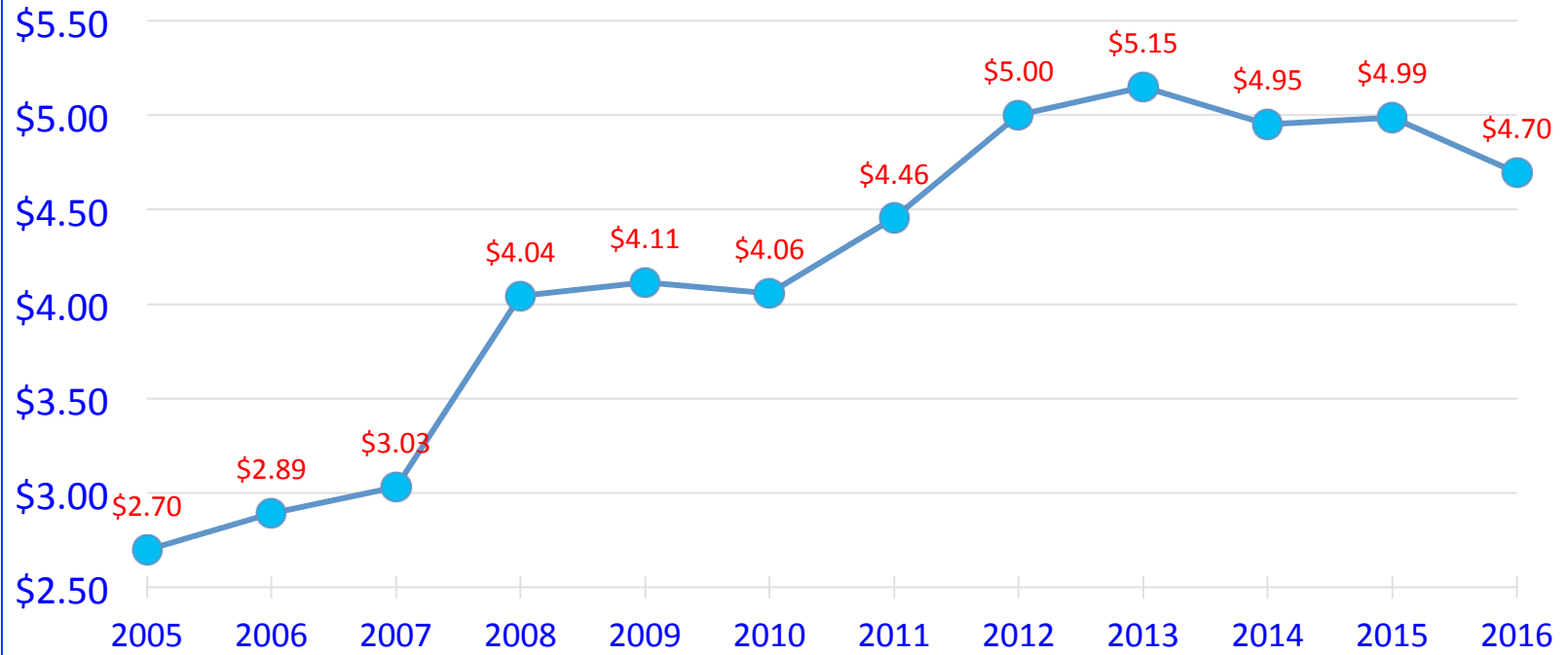
**Estimated Corn versus Bean Storage Returns:**  
**On-Farm Storage: September 2015**



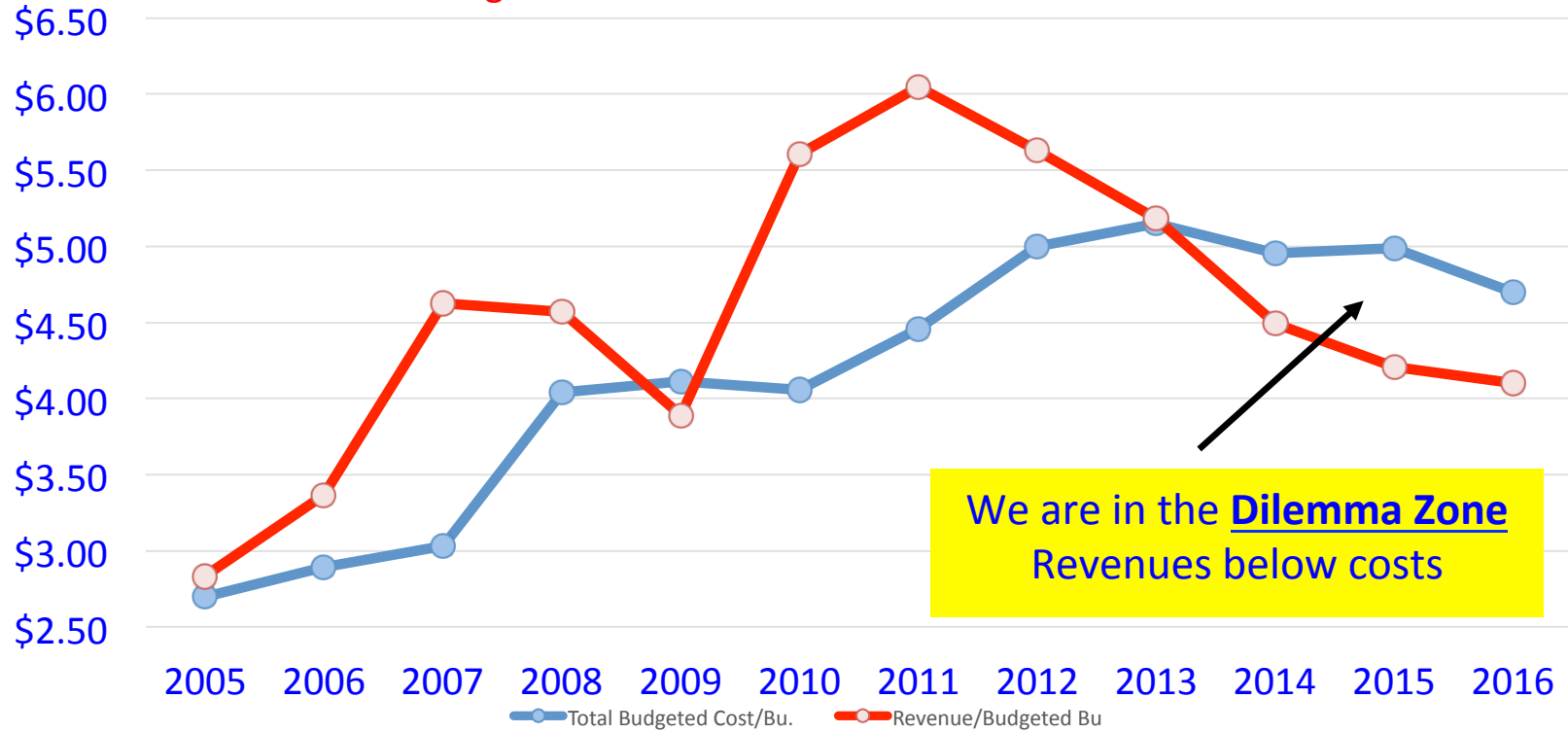
## Soybean Marketing Strategies

1. Soybeans prices more vulnerable to world economic conditions
2. Soybean prices also threatened by large S. American production
3. El Nino could reduce palm oil production?
4. Eastern Corn Belt basis strong at harvest, abundant storage
5. Modest returns to on-farm storage....better returns for corn
6. Carry is not signaling a positive return to commercial storage
  - a. Sell cash at harvest and consider replacing with futures or call options
7. Crop Insurance likely in-play for some in Eastern Corn Belt
8. Areas with normal or low 2015 yields can anticipate strong ARC-County payments (payable October 2016)

### Purdue Corn Costs/Budgeted Bushel



Budgeted Corn Total Costs and Total Revenues



We are in the Dilemma Zone  
Revenues below costs

## 2016 Estimated Crop Budget:

Indiana: Sept 11, 2015

Average Quality Land  
 Cash rent = \$213  
 Mach & labor = \$144  
 Total = \$357

Prices	Corn	Beans	Wheat
Harvest Futures 2016	\$4.10	\$8.66	\$5.03
Expected Basis	-0.25	-0.30	-0.35
Expected Cash Price	\$3.85	\$8.36	\$4.68

Estimated Yield/Acre and Returns/Acre Above Variable Costs

<u>Land Quality</u>	Continuous Corn		Rotation Corn		Rotation Soybeans		Single-Crop Wheat	
	<u>bu./acre</u>	<u>\$/acre</u>	<u>bu./acre</u>	<u>\$/acre</u>	<u>bu./acre</u>	<u>\$/acre</u>	<u>bu./acre</u>	<u>\$/acre</u>
Low	124	\$68	132	\$120	44	<b>\$128</b>	57	\$108
Average	155	\$144	165	<b>\$203</b>	50	<b>\$201</b>	71	\$153
High	186	\$243	198	<b>\$311</b>	66	\$274	85	\$197

Budget: Purdue ID-166 (September 2015)

Gov't Estimates ARC-County: 2015 Crops (pay October 2016) = \$63/acre  
 Gov't Estimates ARC-County: 2016 Crops (pay October 2017) = \$25/acre

# *What Can You Do?*

- Reduce capital purchases
- Cut family living expenses
- Liquidate excess assets
- Seek lower cost inputs
- Seek additional farm related income
- Seek off farm income
- Pursue reduced cash rents
- Crop Insurance, Government Payments, FSA Disaster Loans
- Work with Your Lender as Your Financial Assistant
  - Restructure time periods
  - Do not totally repay operating loan
  - Increase borrowing against real assets
- Have a 1 year and a 3-5 Year Plan

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October 30, 2015  
Long-Range Outlook for Ag. Economy**