

Ag Outlook Webinar

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Commercial Agriculture

December 19, 2019

Purdue Top Farmer Conference
January 10, 2020
Pre-Conference, January 9
Beck Agricultural Center, West Lafayette, IN

More info & register at
purdue.ag/topfarmer20

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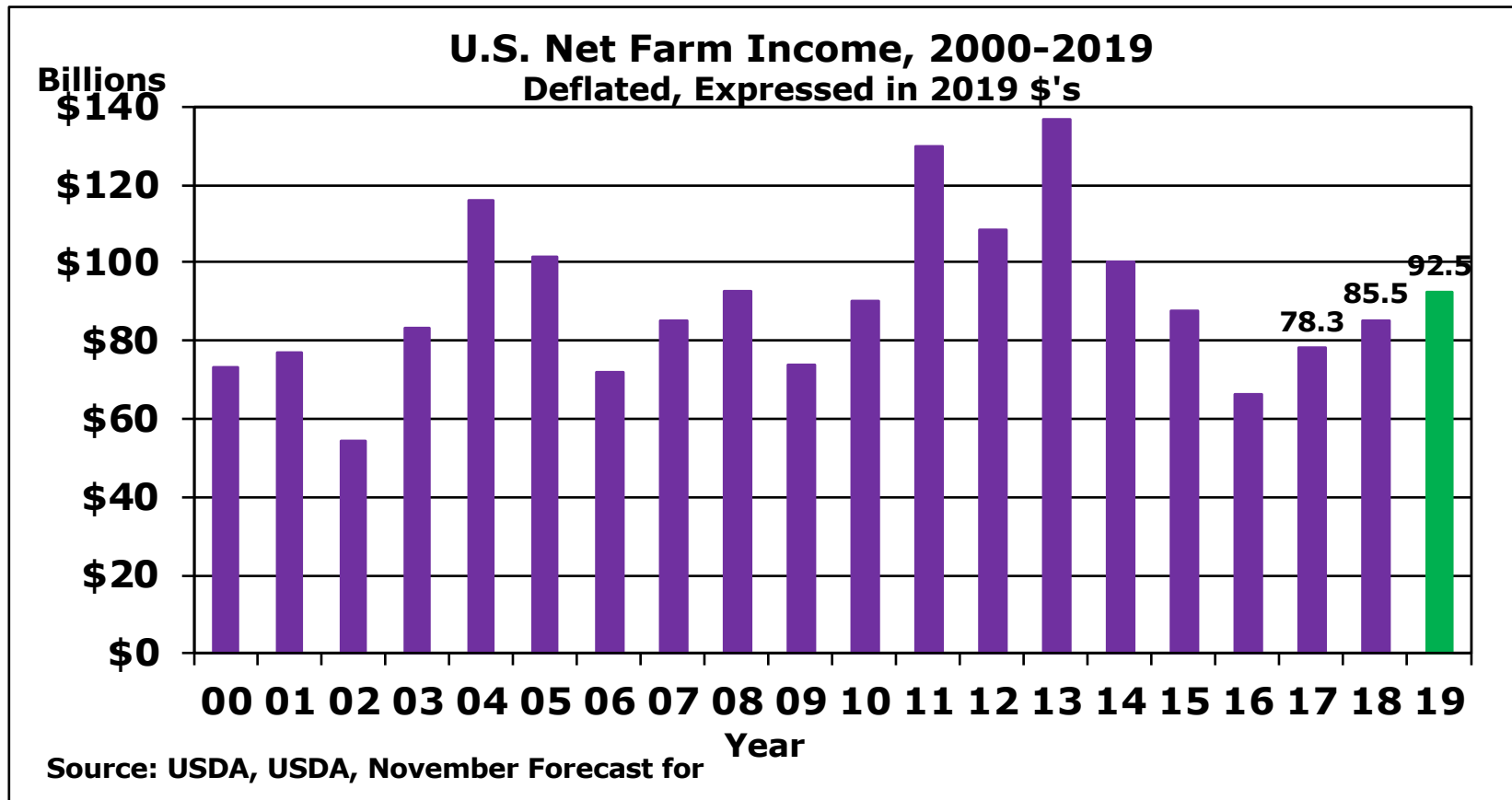
Ag Economy Barometer: January 2019



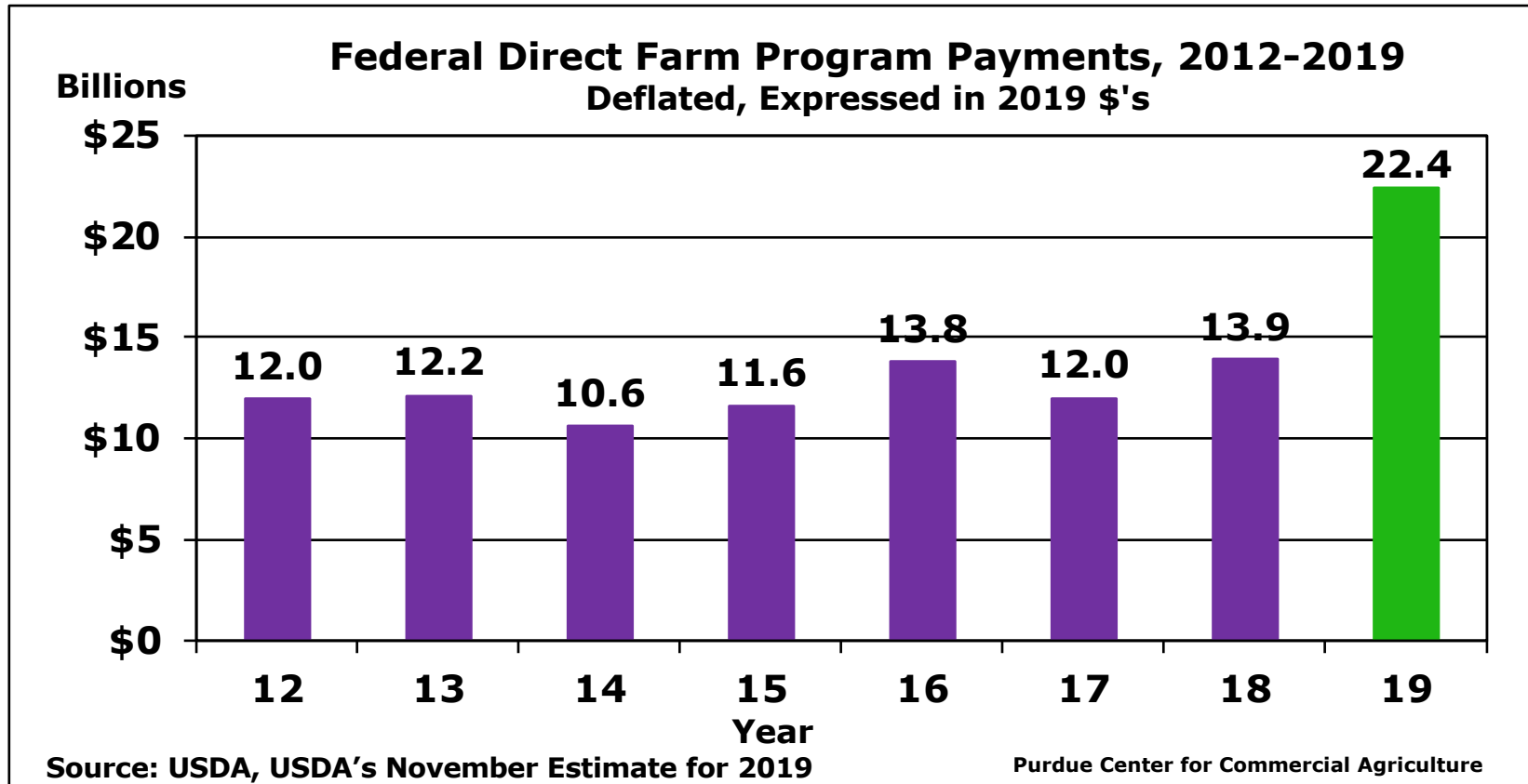
Ag Economy Barometer: November 2019



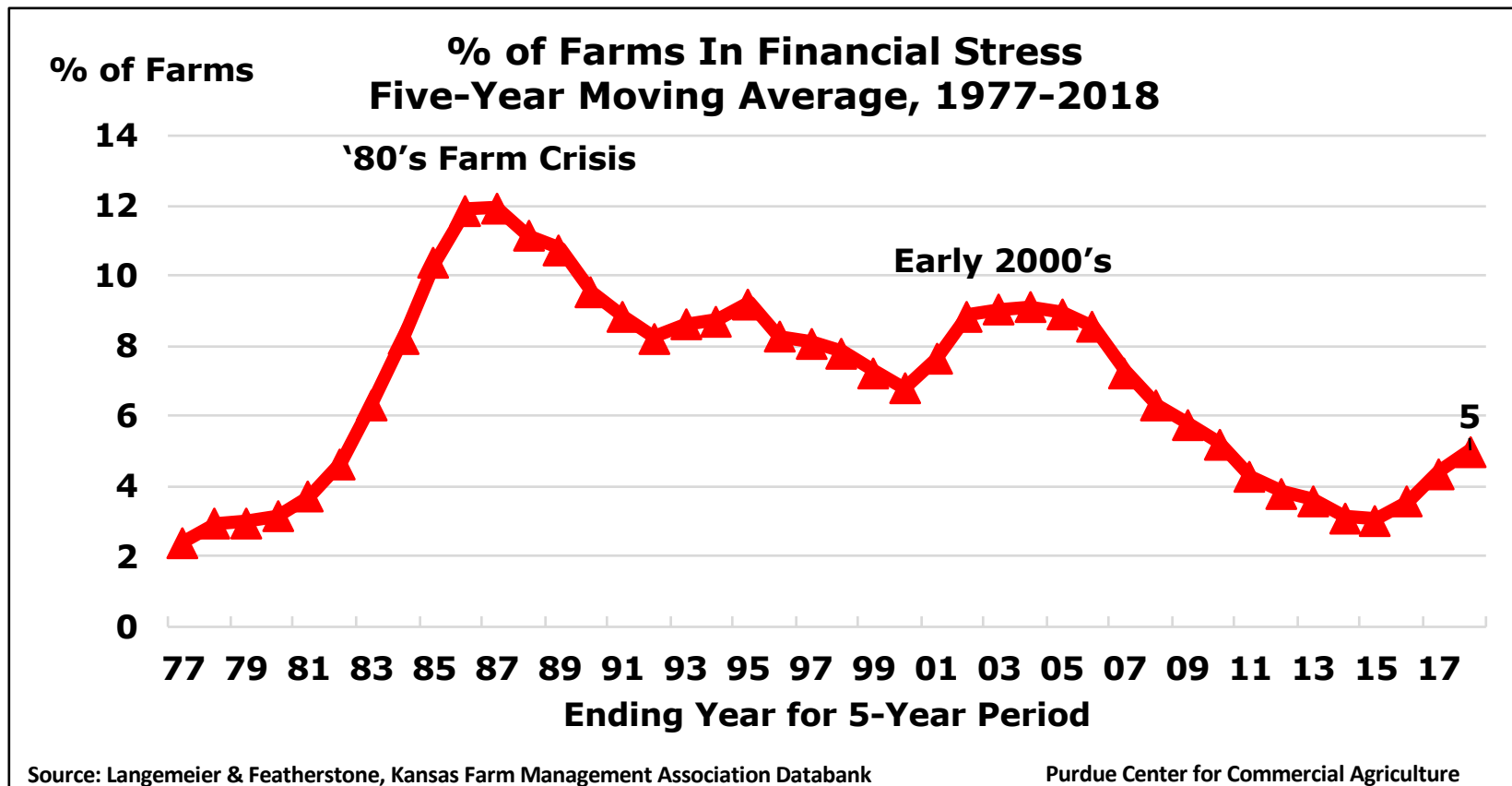
USDA Forecasts 3% Increase in Inflation Adjusted Net Farm Income



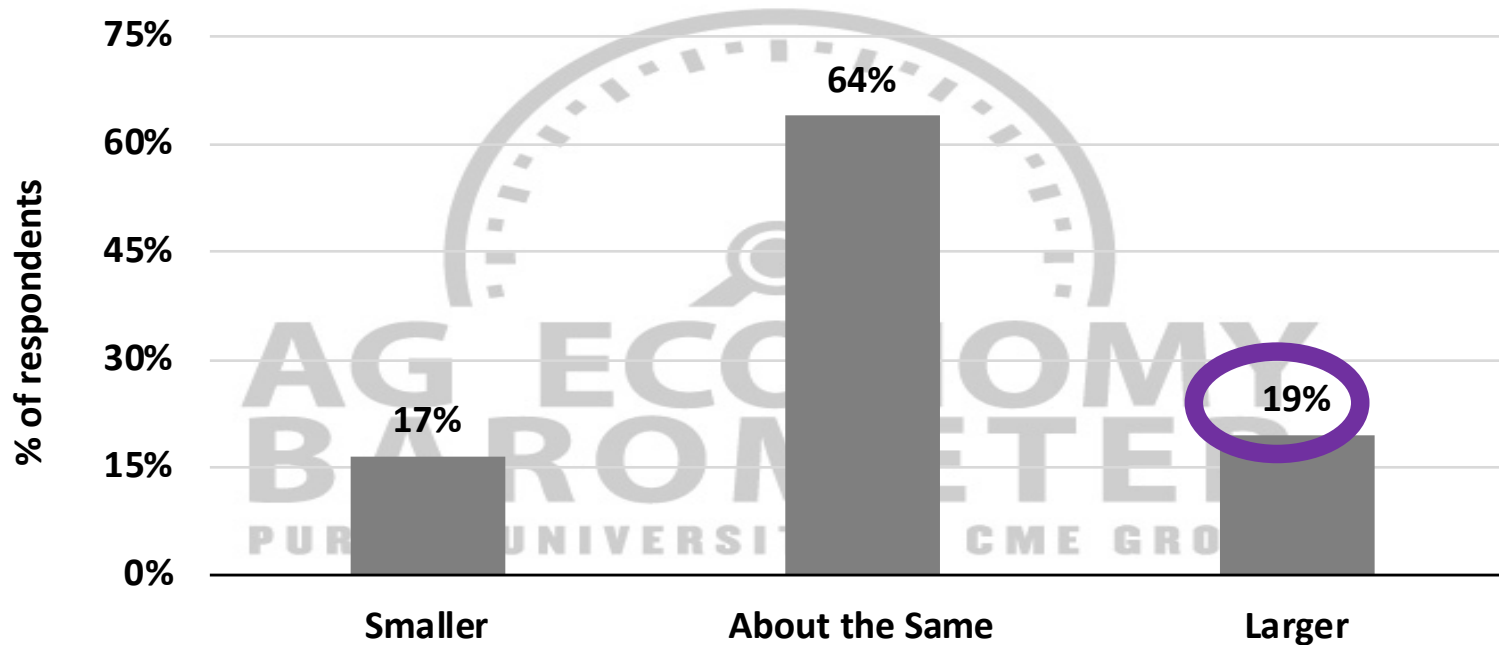
But 2019 Income Would Decline Without An Increase in Government Payments
Inflation Adjusted Government Payments Up 61% in 2019



% of Farms in Financial Stress Climbing, But Remains Below Most of the Last 3 Decades

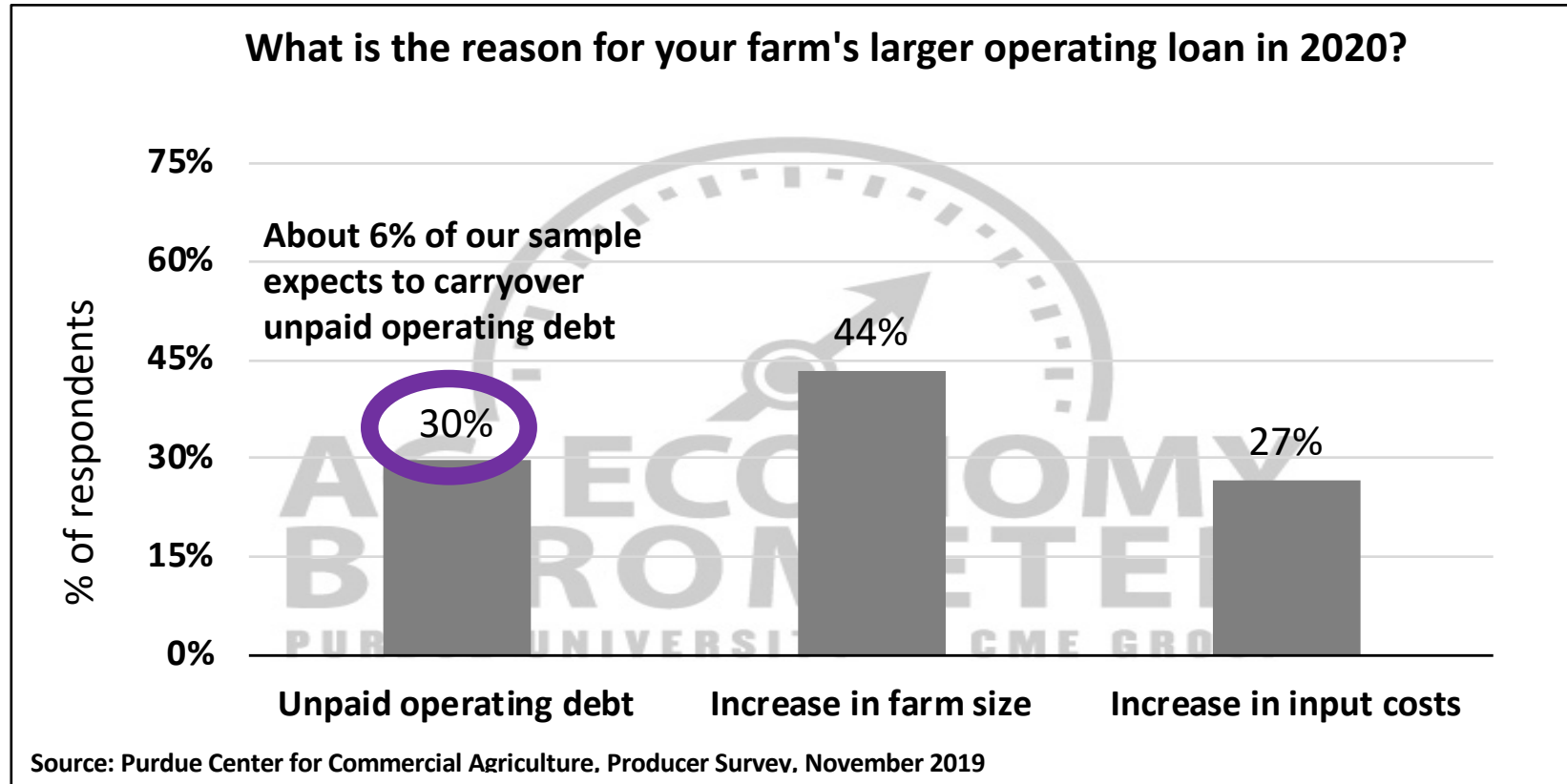


Compared to 2019, do you expect the size of your farm's operating loan to be larger, smaller, or about the same?

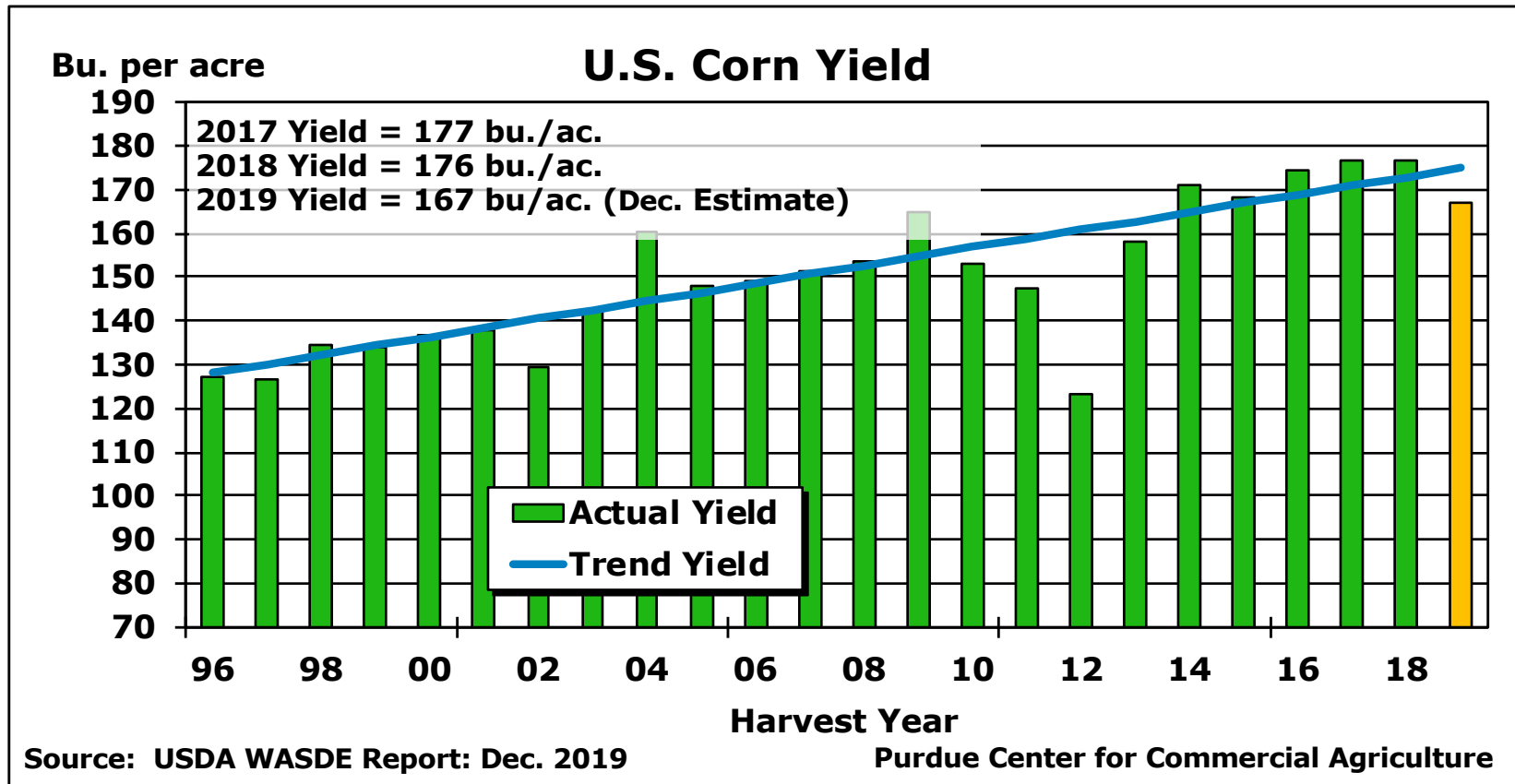


Source: Purdue Center for Commercial Agriculture. Producer Survey. November 2019

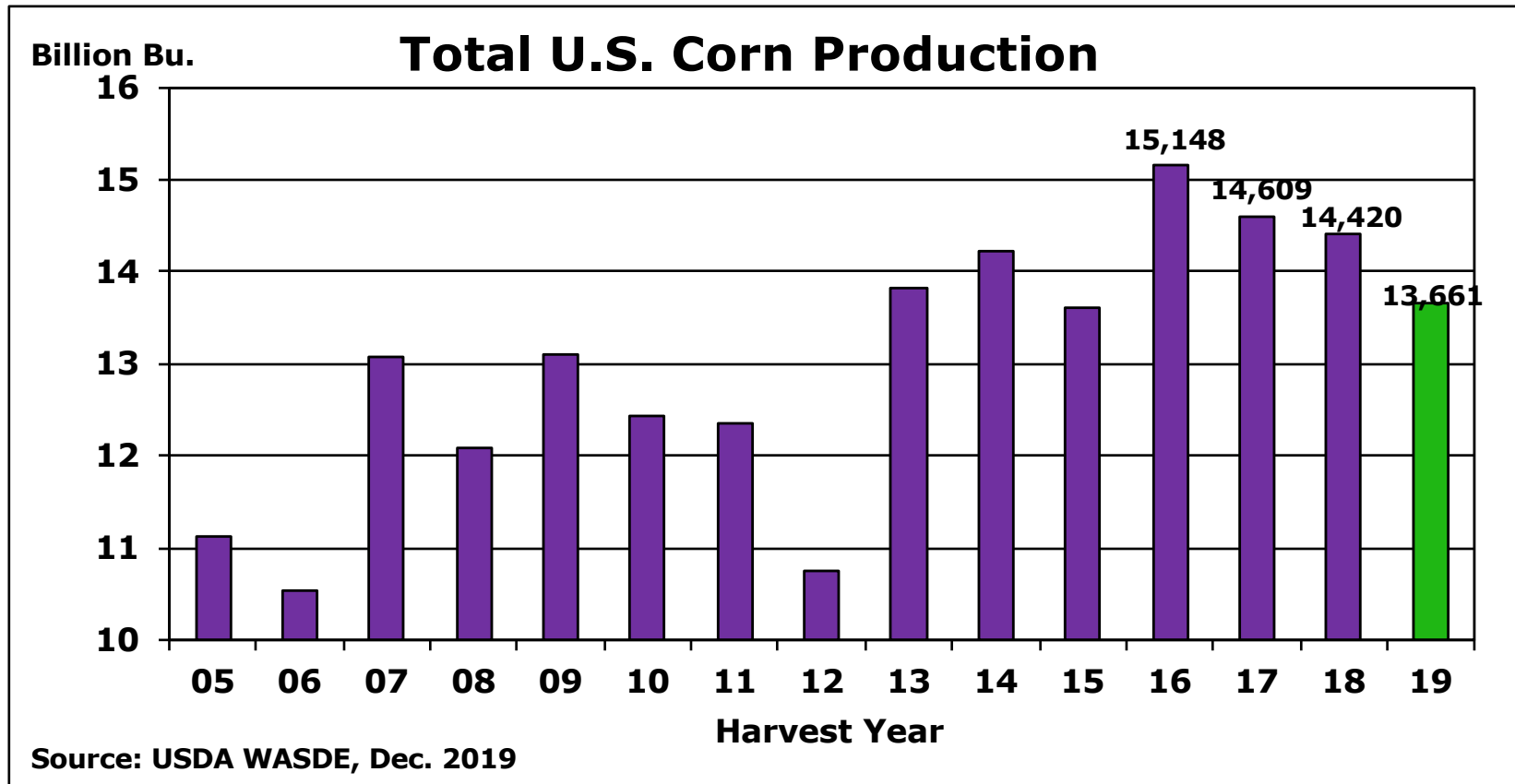
Carrying Over Operating Debt Is A Sign of Financial Stress



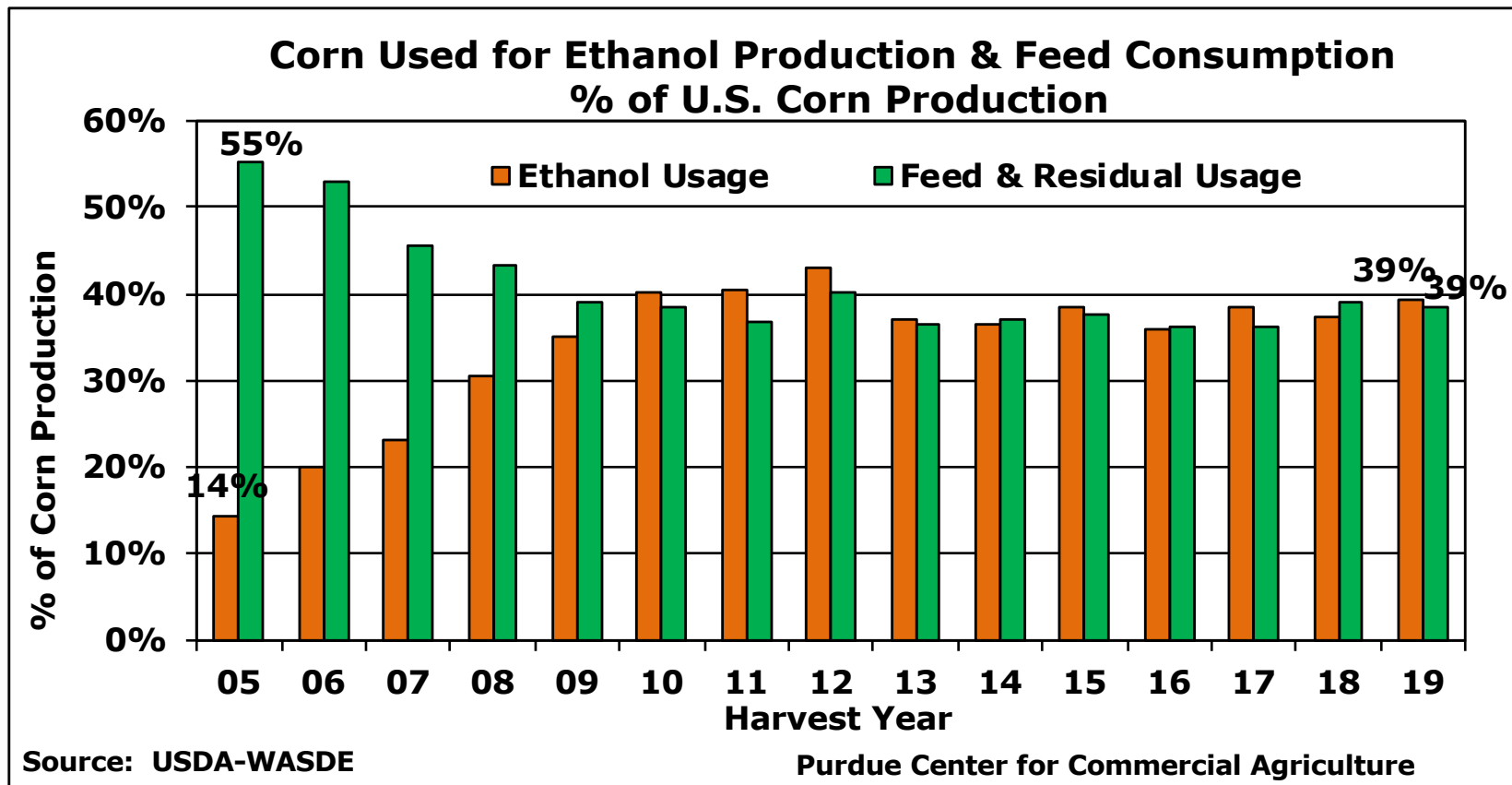
Surprisingly Good Yields This Fall



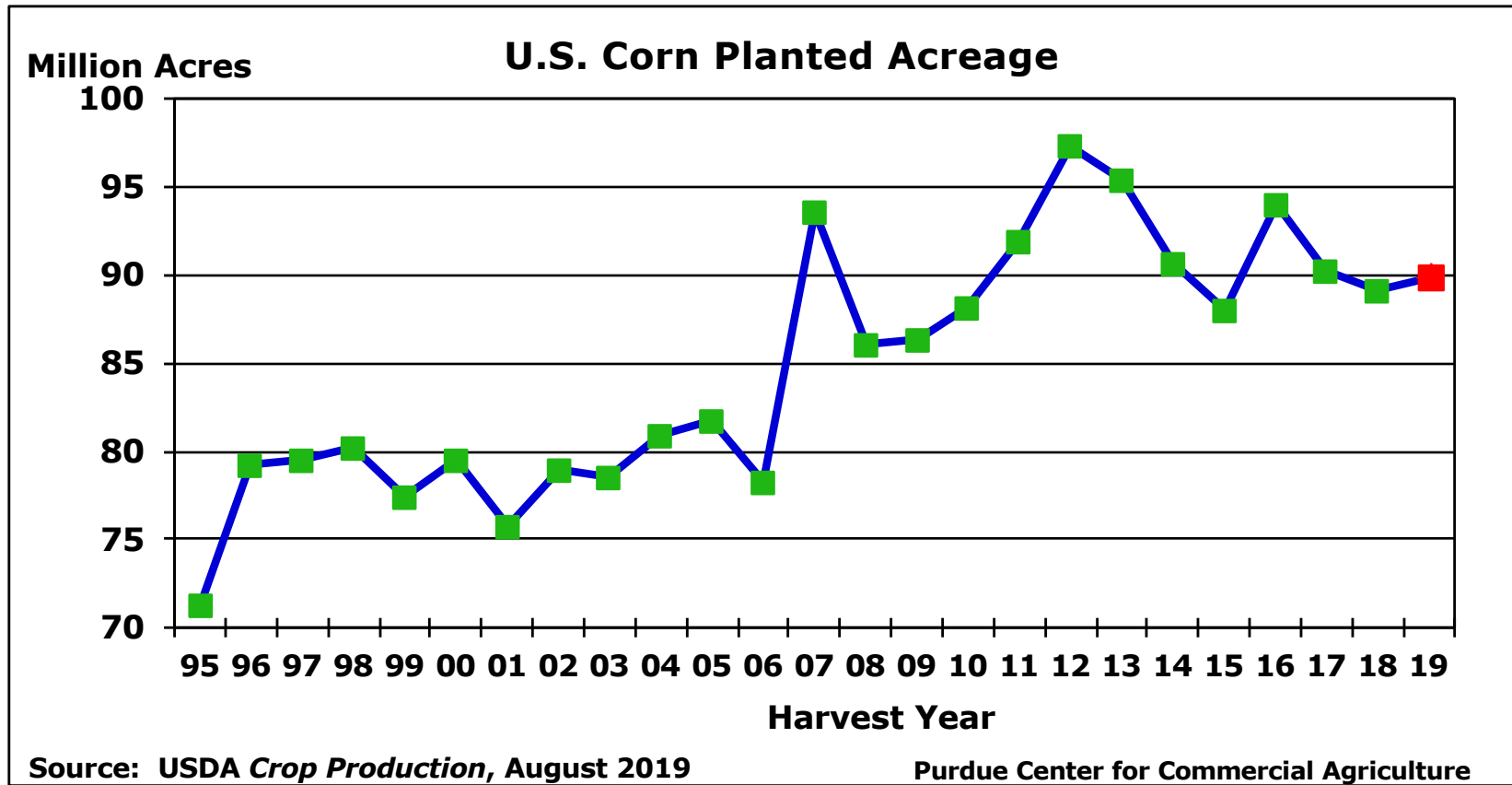
But Still Was 3rd Year in A Row for Corn Production Decline



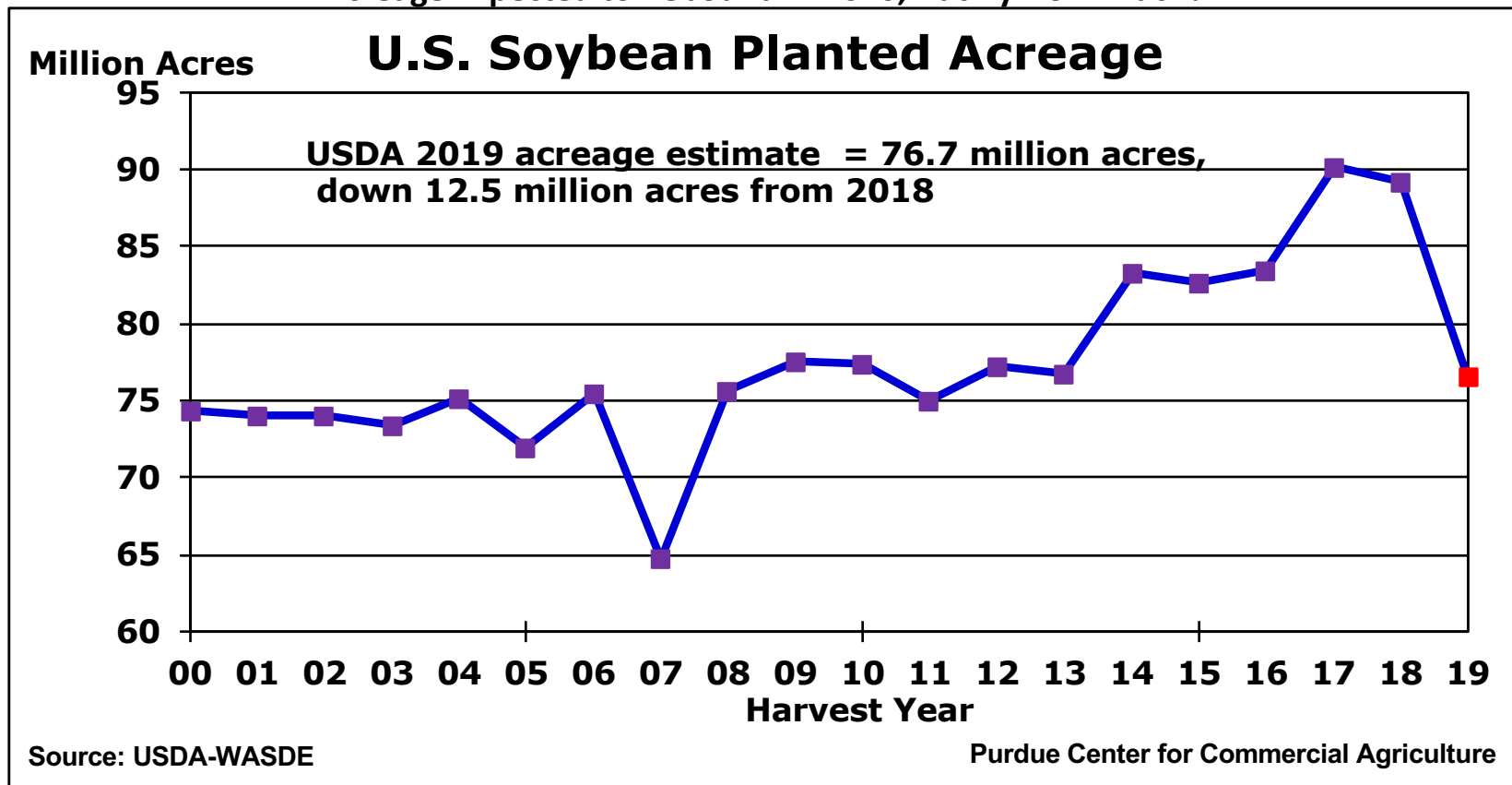
Ethanol Usage Has Plateaued



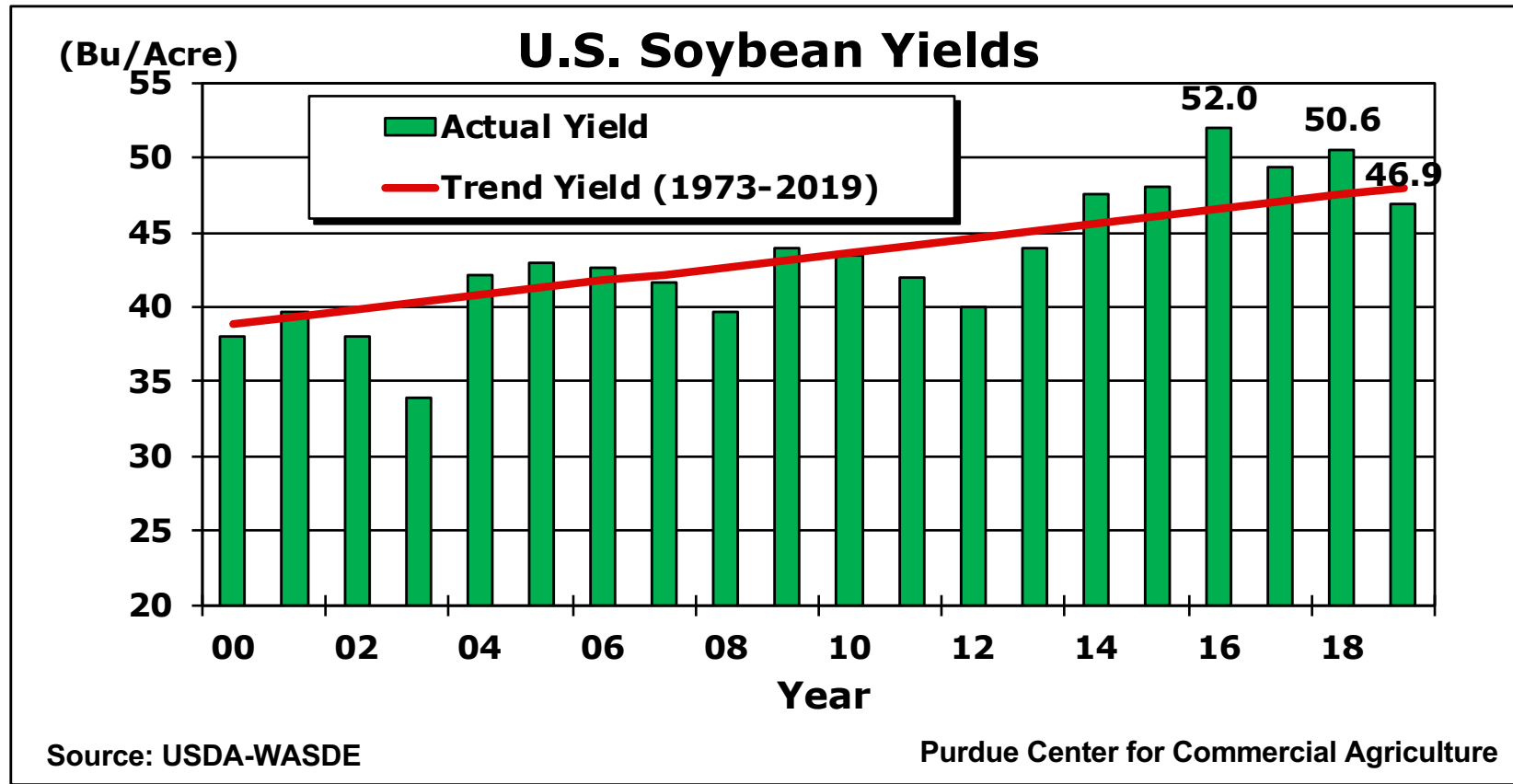
Corn Acreage Expected to Rebound in 2020, But By How Much?



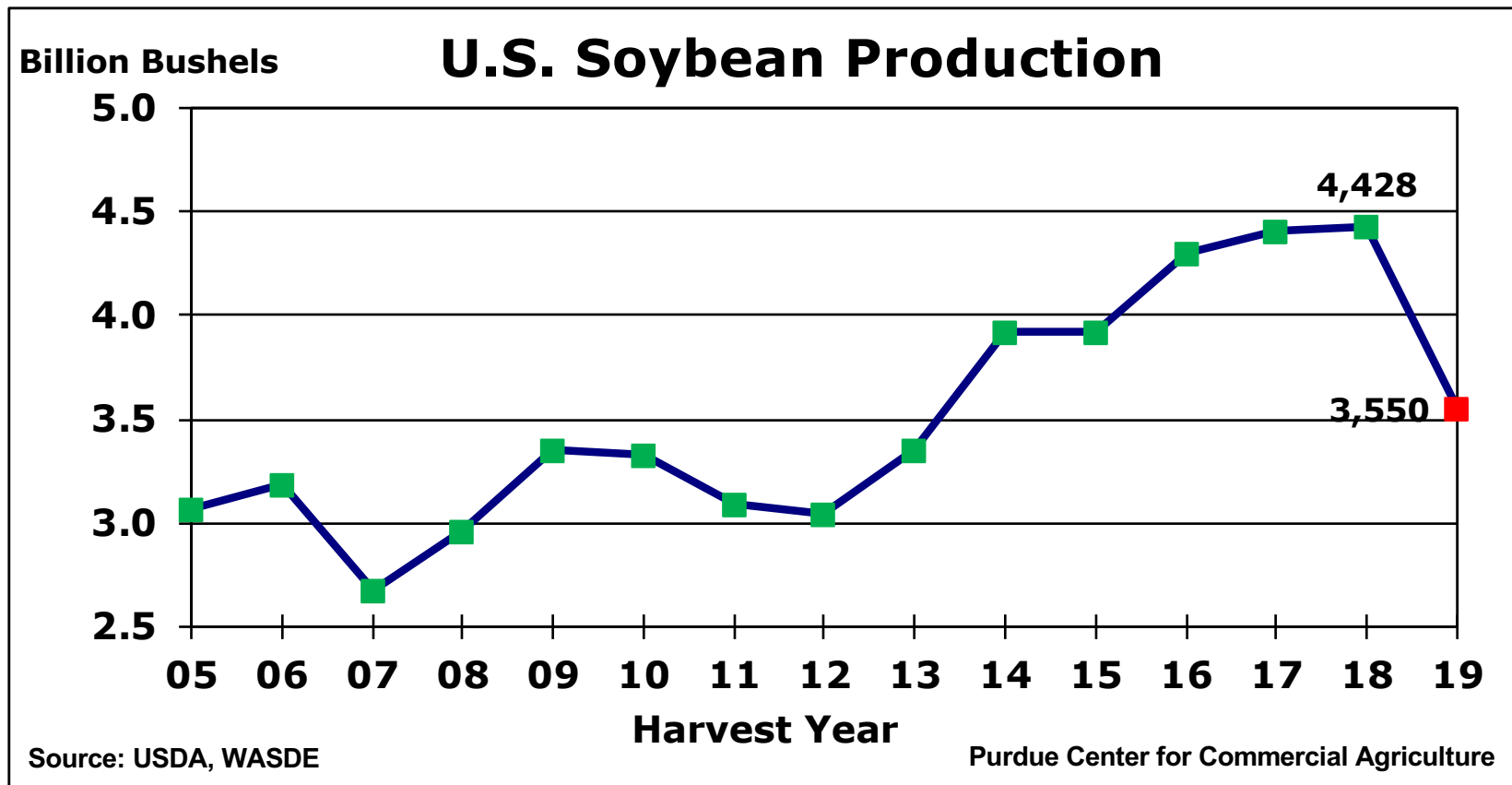
Soybean Acreage Plummeted As Prevented Plantings Soared Acreage Expected to Rebound in 2020, But By How Much?



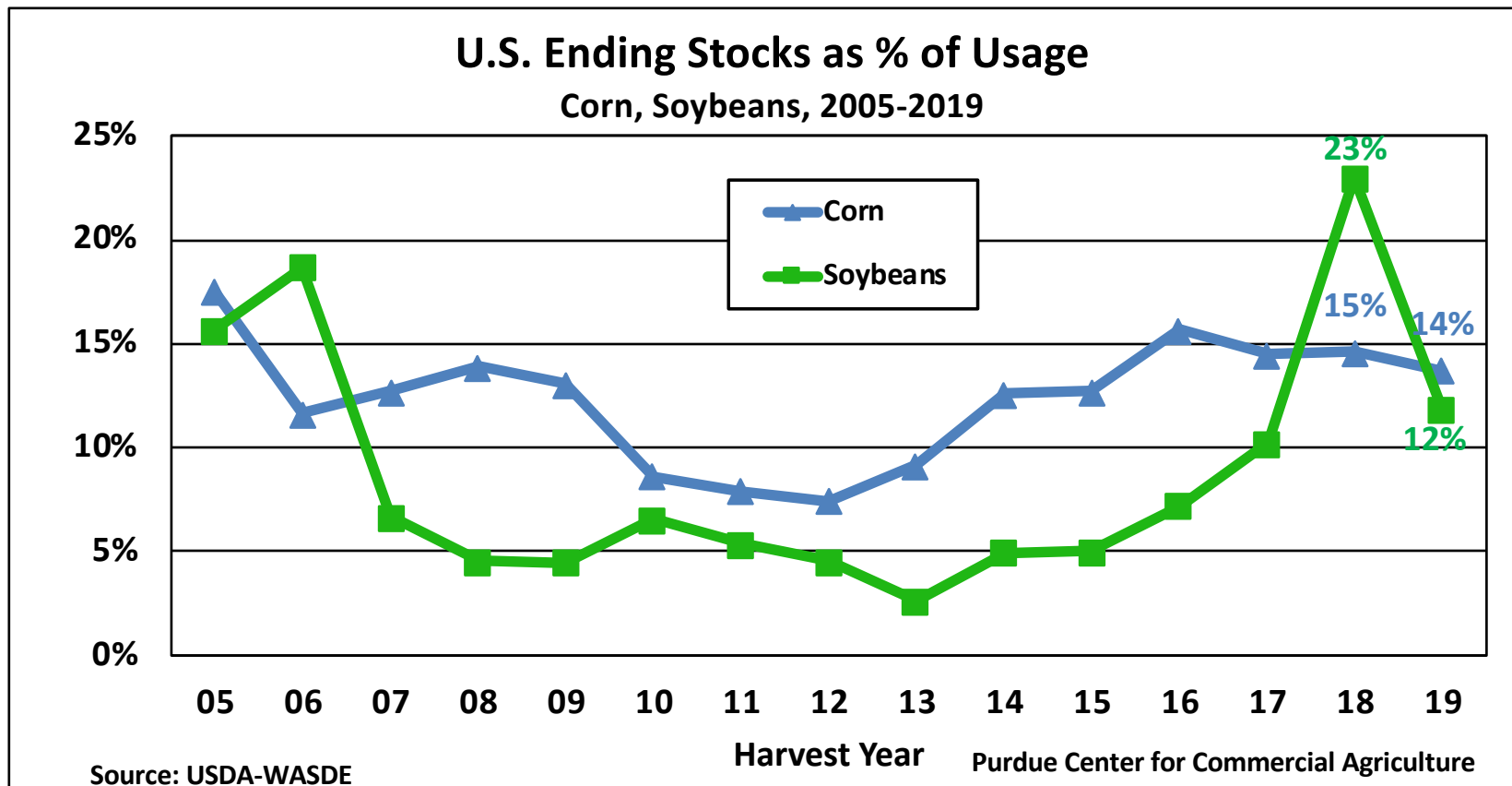
Lower Soybean Yields Than 2018...But Decline Was Smaller Than Most Expected Last Summer



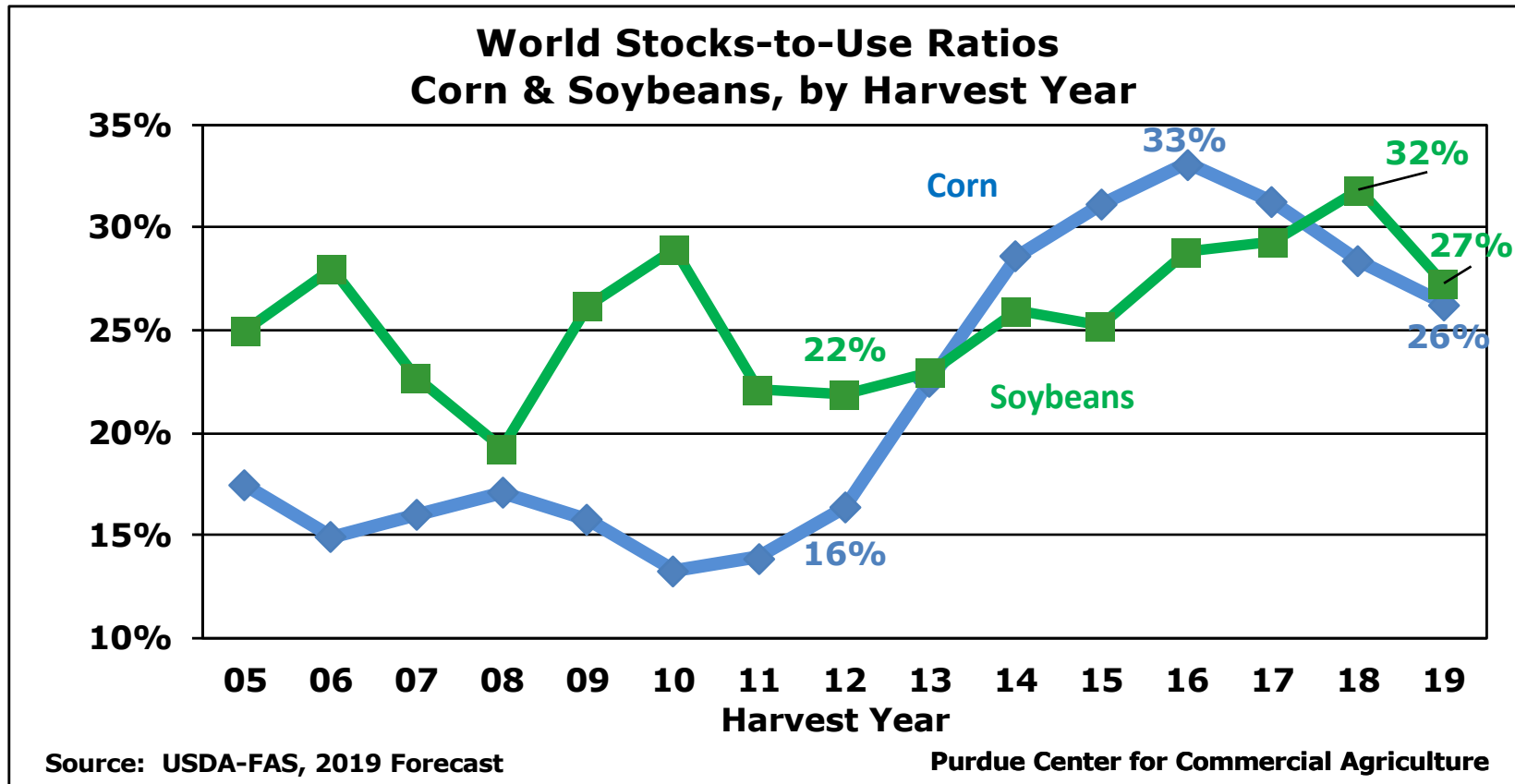
Result: U.S. Soybean Production Declined 20%



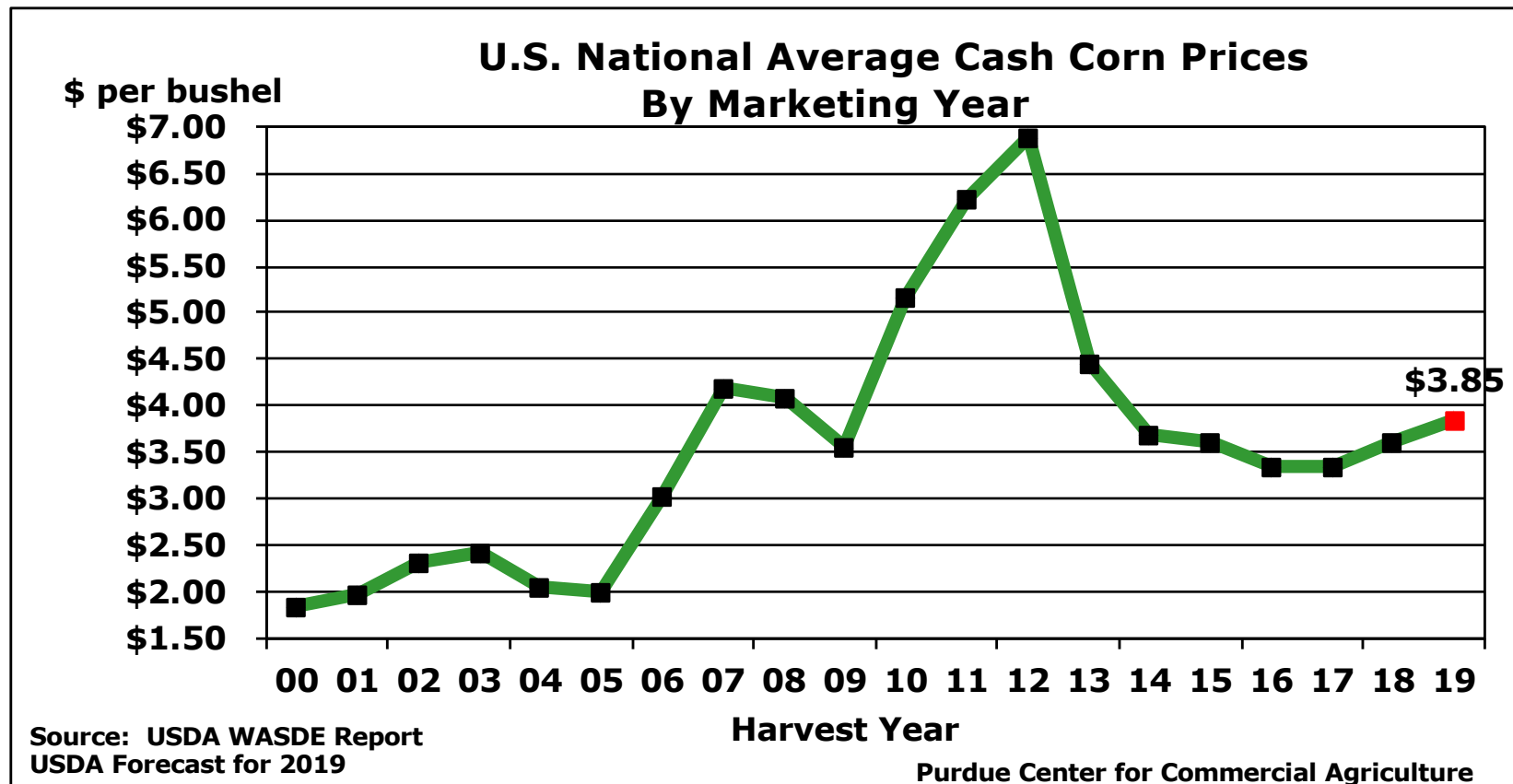
U.S. Ending Stocks Tightening Could Tighten More If Actual Production Falls Below USDA's Projections



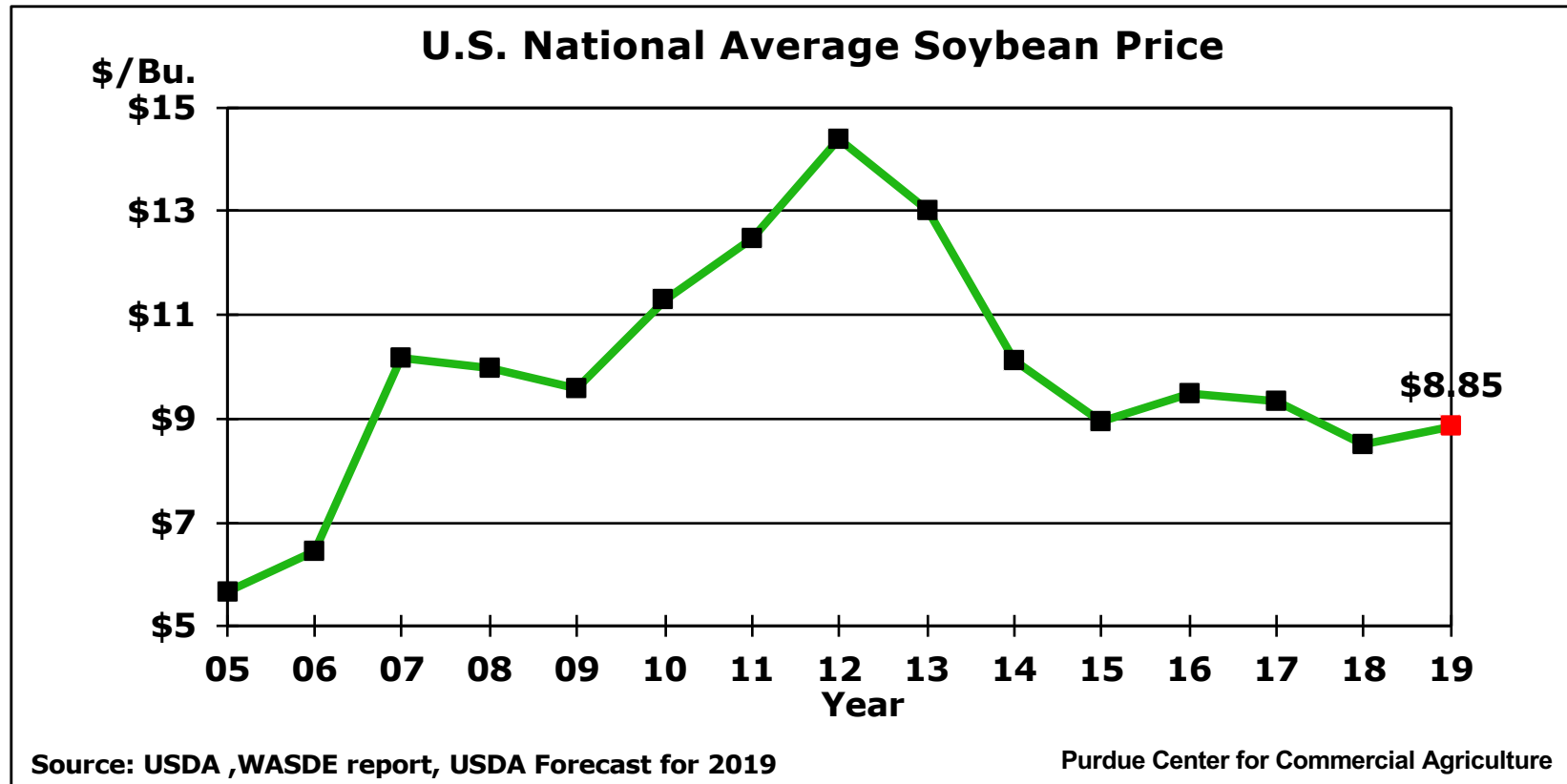
World Stocks Are Tightening, But Remain Large



Price Recovery Since '16 & '17, But What About 2020?



Surprisingly Strong Yields & Export Concerns Pressured Prices What Happens If Production Rebounds in 2020? China?



Corn Basis Has Been Very Strong...Less Than Normal Basis Improvement Likely Very Little Carry in Futures Prices...Storage Returns Expected to Fall Below Average

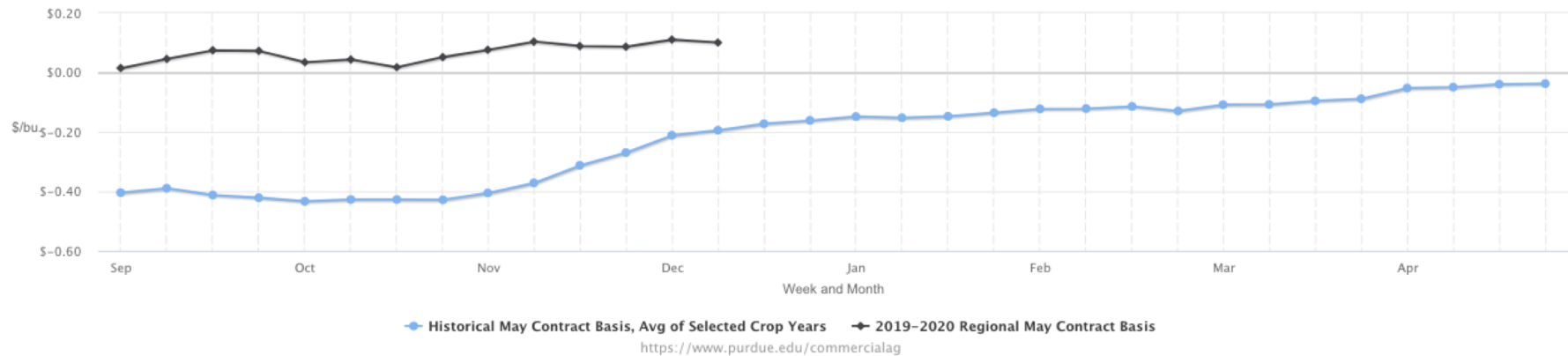
State
Region
Crop
Futures Contract
Crop Year(s) Select Historical Year(s) to Average Across

Tool available at [Purdue.edu/commercialag](https://www.purdue.edu/commercialag)

Submit

Purdue Center for Commercial Agriculture Crop Basis Tool

Corn: IN NE Region, May Contract Basis, Weekly
Avg. of Selected Historical Crop Years [2016-2017,2017-2018,2018-2019]
vs. Current Crop Year



Soybean Basis Also Stronger Than Average and Strengthening

Much Greater Carry in the Futures Market Making Storage Returns More Attractive Than for Corn

State

Indiana

Region

Adams (NE)

Crop

Soybeans

Futures Contract

July

Crop Year(s)

Select Historical Year(s) to Average Across

2018-2019

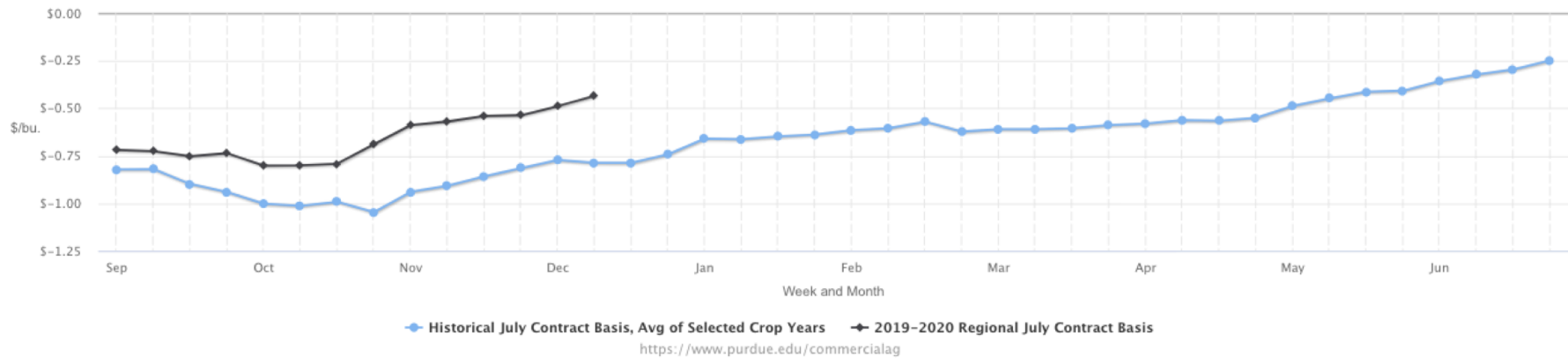
2017-2018

Tool available at Purdue.edu/commercialag

Submit

Purdue Center for Commercial Agriculture Crop Basis Tool

Soybeans: IN NE Region, July Contract Basis, Weekly
Avg. of Selected Historical Crop Years [2017-2018,2018-2019]
vs. Current Crop Year



Looking Ahead to the 2020 Corn Crop

Dec. 2020 Corn Futures Settled @ \$4.01/bu.

Late Sept. Southwest IN Basis Forecast = \$-0.22/bu.

\$4.01 + (\$-0.22) = \$3.79/bu. Expected Sale Price, if hedged

History suggests opportunity to roll this hedge forward at harvest time to take advantage of increase in futures market carry

May 2021 Corn Futures Settled @ \$4.15/bu.

Late April Southwest IN Basis Forecast = \$-0.01/bu.

\$4.15 + (\$-0.01) = \$4.14 Expected Sale Price, if hedged

Looking Ahead to the 2020 Soybean Crop

Nov. 2020 Soybean Futures Settled @ \$9.66/bu.

Late Sept. Southwest IN Basis Forecast = \$-0.40/bu.

\$9.66 + (\$-0.40) = \$9.26/bu. Expected Sale Price, if hedged

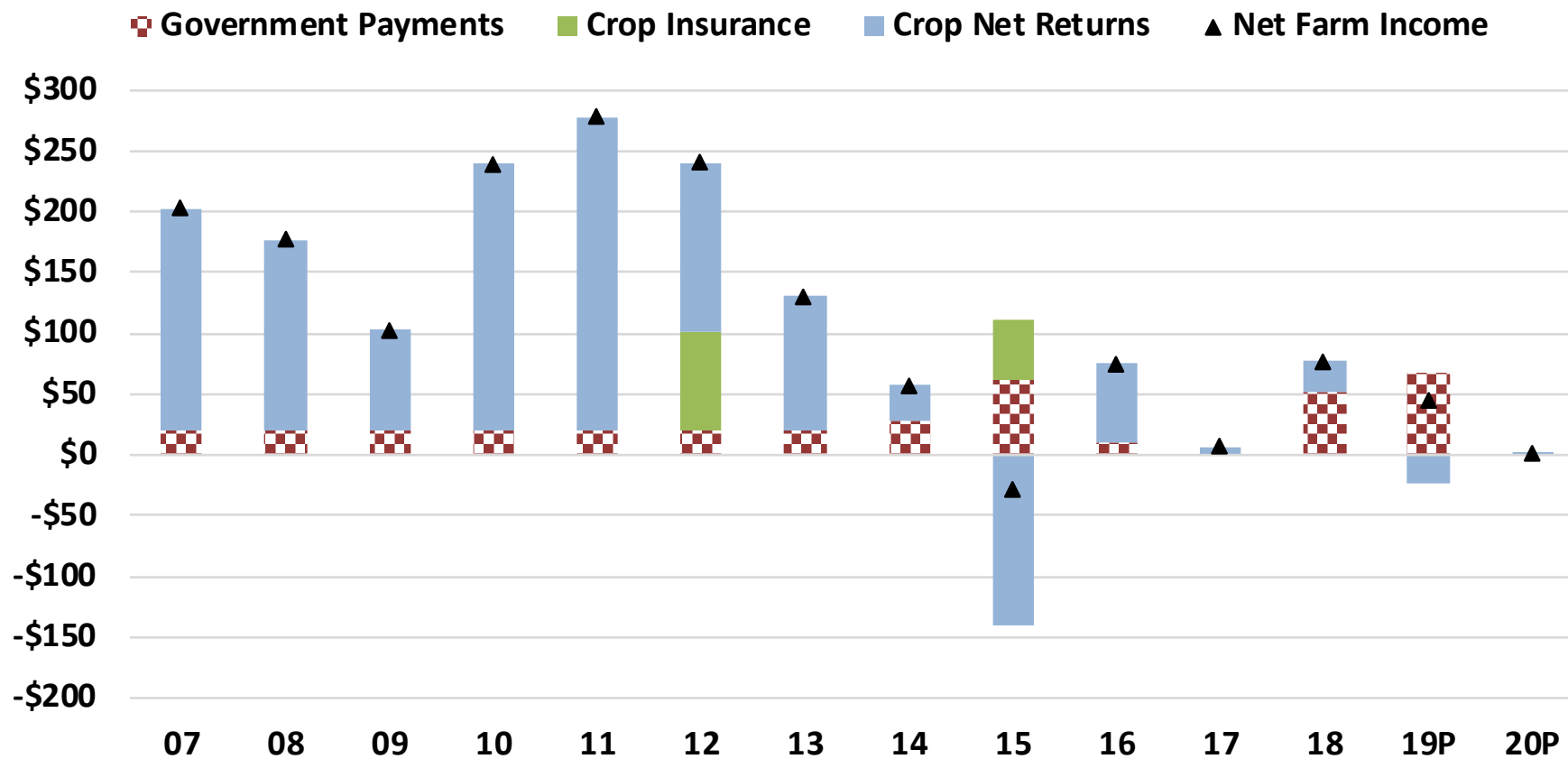
History suggests opportunity to roll this hedge forward at harvest time to take advantage of increase in futures market carry

Currently, soybean 2020 soybean futures for the 2020 crop are inverted, providing no storage incentive

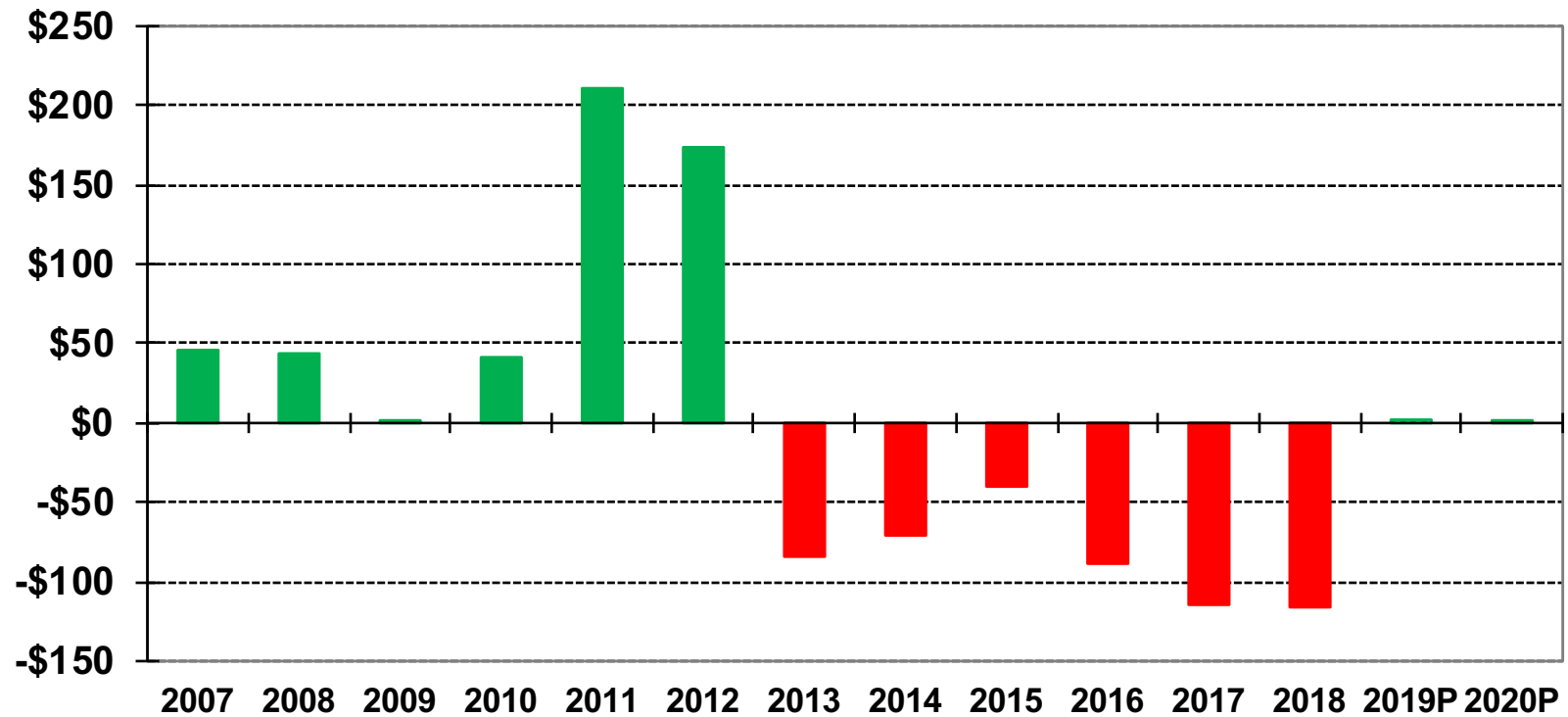
Definitions

- Net Farm Income
 - Gross revenue minus cash expenses and depreciation; excludes operator and family labor, and opportunity costs
- Net Return to Land
 - Gross revenue minus cash expenses (except rent), depreciation, and opportunity costs (except opportunity cost on owned land)
- Earnings
 - Gross revenue minus cash expenses, depreciation, and opportunity costs

Net Farm Income Sources, Corn/Soybean Rotation (\$ per Acre) West Central Indiana Case Farm



Difference in Earnings per Acre West Central Indiana (Corn Minus Soybeans)



Current Prices Favor Soybeans Over Continuous Corn

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

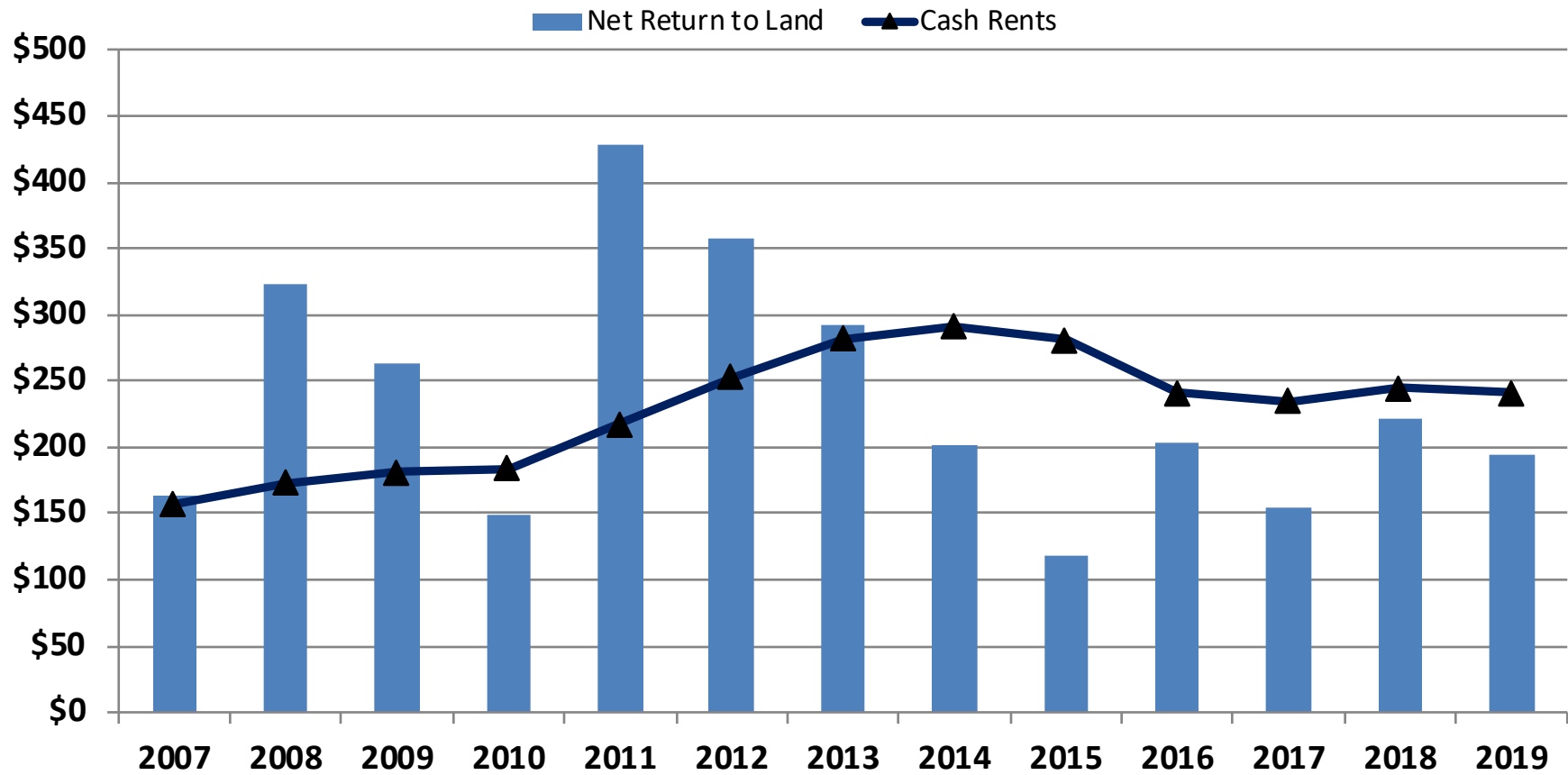
Soybean Price	Low Productivity (C=133; SB=44)	Avg. Productivity (C=165; SB=54)	High Productivity (C=198; SB=65)
\$7.50	\$3.71	\$3.63	\$3.48
\$8.00	\$3.88	\$3.79	\$3.64
\$8.50	\$4.05	\$3.96	\$3.81
\$9.00	\$4.21	\$4.12	\$3.97
\$9.50	\$4.38	\$4.28	\$4.13
\$10.00	\$4.54	\$4.45	\$4.30

Soybeans Versus Rotation Corn?

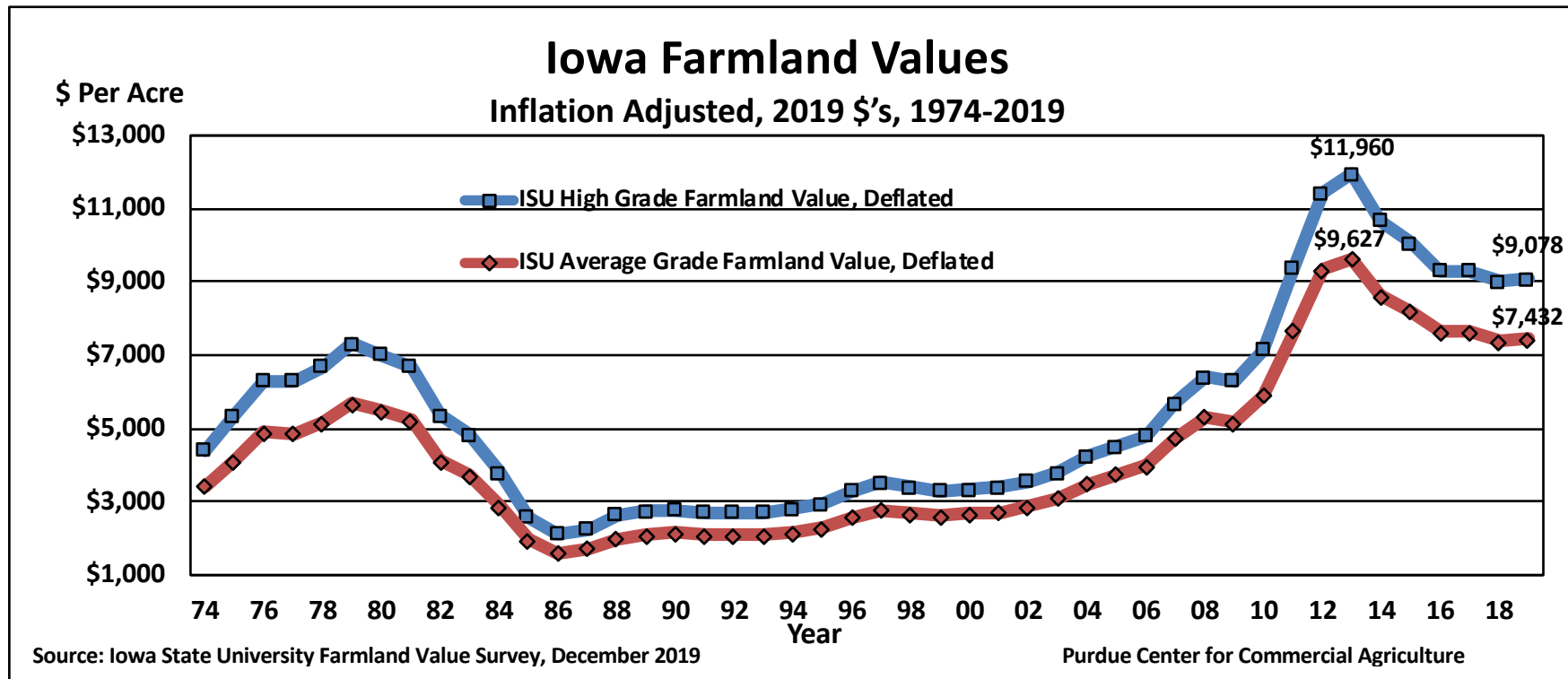
Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=141; SB=44)	Avg. Productivity (C=176; SB=54)	High Productivity (C=211; SB=65)
\$7.50	\$3.40	\$3.31	\$3.19
\$8.00	\$3.55	\$3.47	\$3.34
\$8.50	\$3.71	\$3.62	\$3.50
\$9.00	\$3.87	\$3.77	\$3.65
\$9.50	\$4.02	\$3.93	\$3.80
\$10.00	\$4.18	\$4.08	\$3.96

Cash Rent and Net Return to Land, West Central Indiana



Top Quality Farmland Values Down 24% Since 2013 But Dec. 2019 Was Up Less Than 1% Compared to Dec. 2018



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