

Managing 2009 Crop Margins

June 2009



Outside Markets

U.S. & Global
Economies

Supply/Demand

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Presentation Objectives

- **Review the latest U.S. Supply/Demand and Price Forecasts for Corn & Soybeans**
- **Highlight Seasonal Crop Price Trends and Breakeven Prices**
- **Review Ethanol and Livestock Profitability and Oil Futures Prices**
- **Note Large Index Funds Impact on Futures Prices, Compare CFTC to DJIA**
- **Highlight 5 Strategies & 5 Websites for Managing Crop Margins**

U.S. Corn Supply/Demand & Price

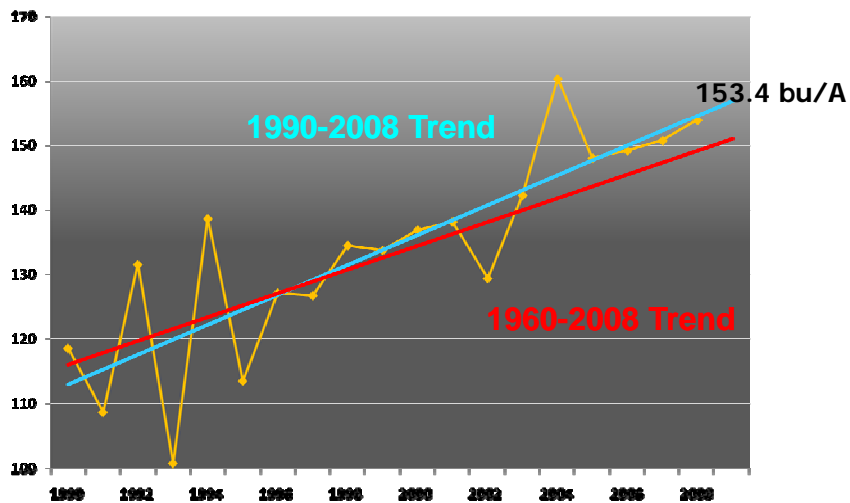
2008/09 est (6/10/09) 2009/2010 Projected

Area Planted	86.0	85.0
Area Harvested	78.6	77.8
Yield	153.9	153.4
Beginning Stocks	1,624	1,600
Production	12,101	11,935
Imports	15	15
Supply, Total	13,740	13,550
Feed & Residual	5,350	5,150
Food, Seed & Industrial	5,040	5,410
Domestic Use, Total	10,390	10,560
Exports	1,750	1,900
Use, Total	12,140	12,460
Ending Stocks	1,600	1,090
Average Farm Price	\$4.20	\$3.90 - \$4.70

Source: WASDE, June 10th, 2009

Corn Trend Line Yields

U.S. Yields Per Acre

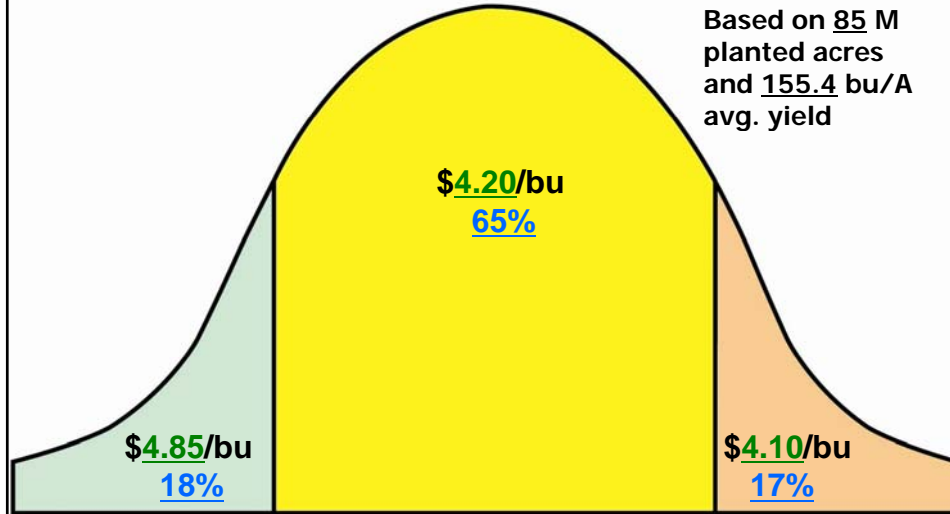


Source: WASDE, June 10th, 2009

Corn Cash Price & Probability Forecast

'09-'10 Marketing Year

Based on 85 M
planted acres
and 155.4 bu/A
avg. yield



Source: Wisner, ISU Biofuels Economist, May 12th, 2009

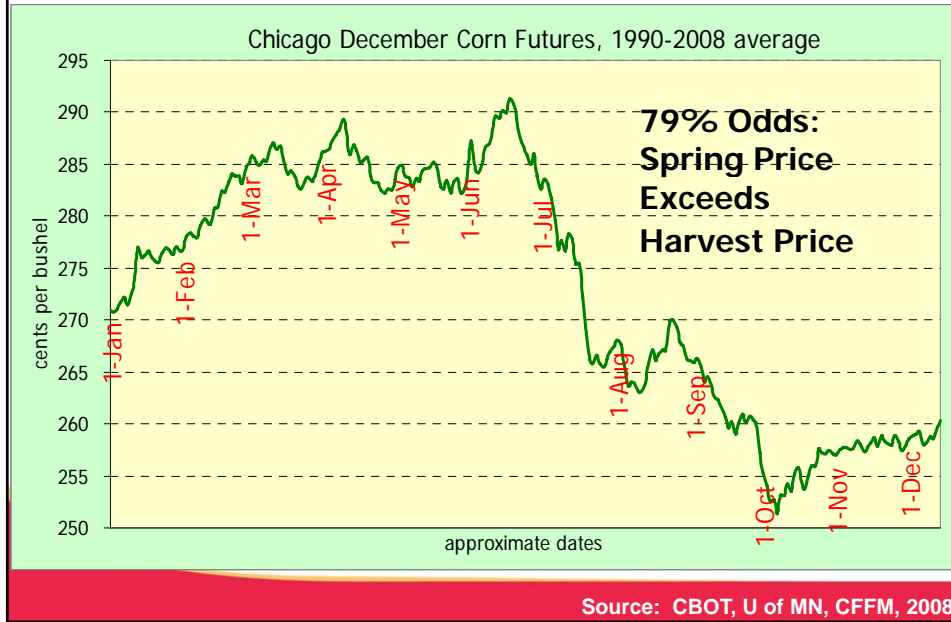
New Crop Corn Chart

December Corn

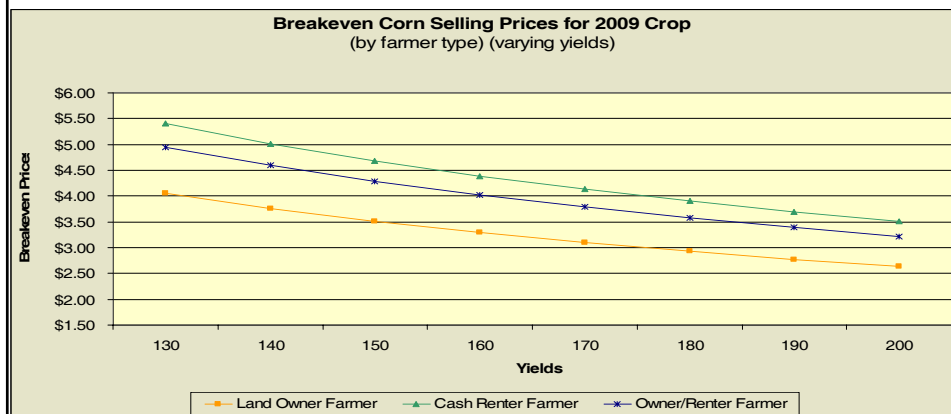


Source: www.jimwyckoff.com, June 2009

New Crop Corn Seasonal Trend



2009 Corn Breakeven Selling Prices

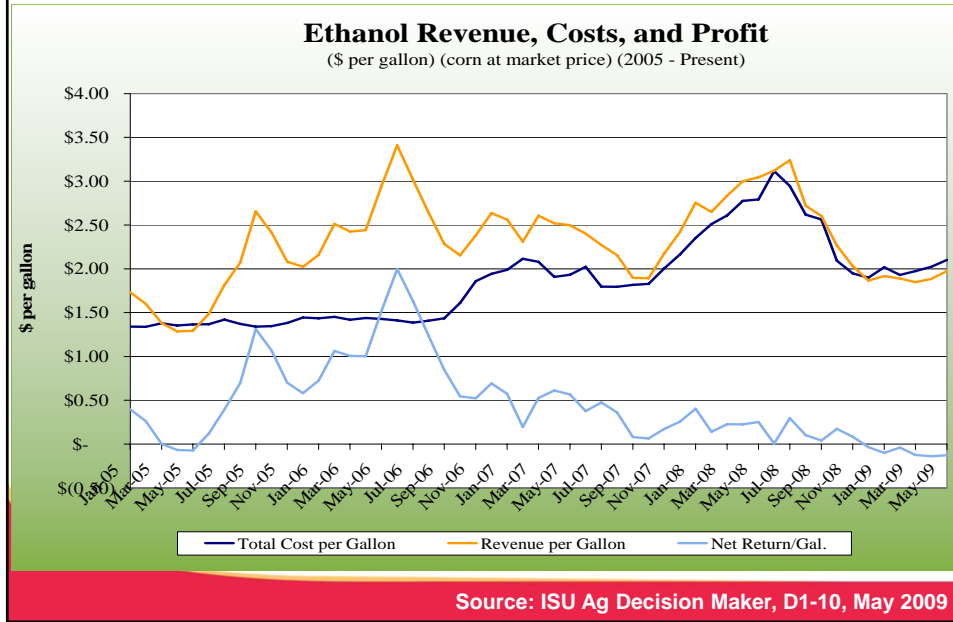


Breakeven Corn Selling Prices

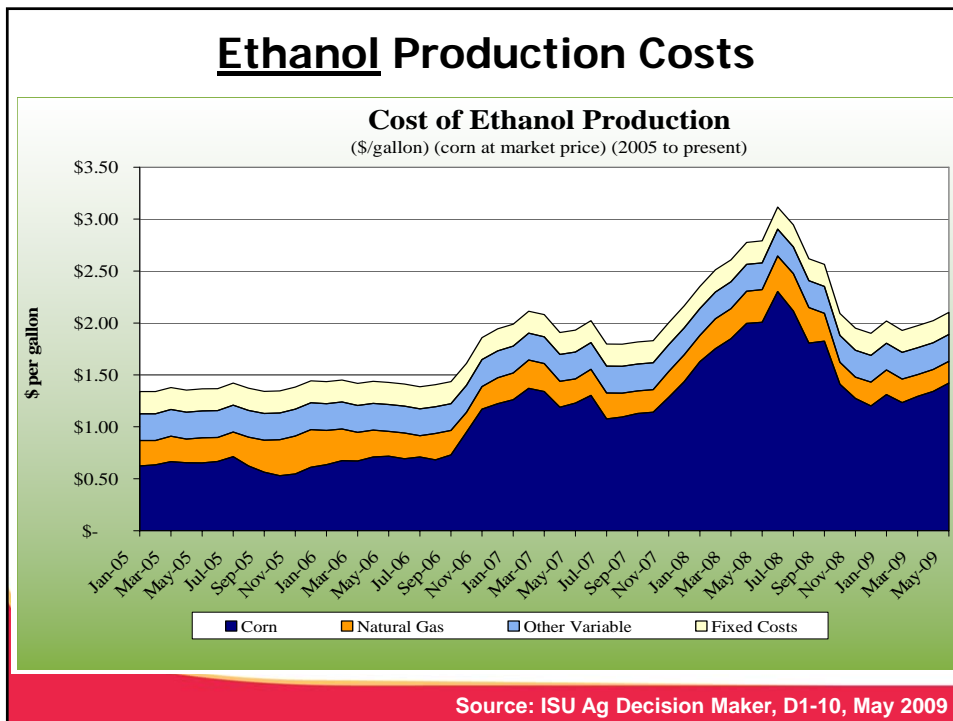
	Total Cost (per acre)	Yield								
		130	140	150	160	170	180	190	200	
Land Owner Farmer	\$ 527	Cost/Bu. \$ 4.05	\$ 3.77	\$ 3.51	\$ 3.29	\$ 3.10	\$ 2.93	\$ 2.77	\$ 2.64	
Cash Renter Farmer	\$ 702	Cost/Bu. \$ 5.40	\$ 5.02	\$ 4.68	\$ 4.39	\$ 4.13	\$ 3.90	\$ 3.70	\$ 3.51	
Owner/Renter Farmer	\$ 644	Cost/Bu. \$ 4.95	\$ 4.60	\$ 4.29	\$ 4.02	\$ 3.79	\$ 3.58	\$ 3.39	\$ 3.22	

Source: ISU Ag Decision Maker, A1-85, May 2009

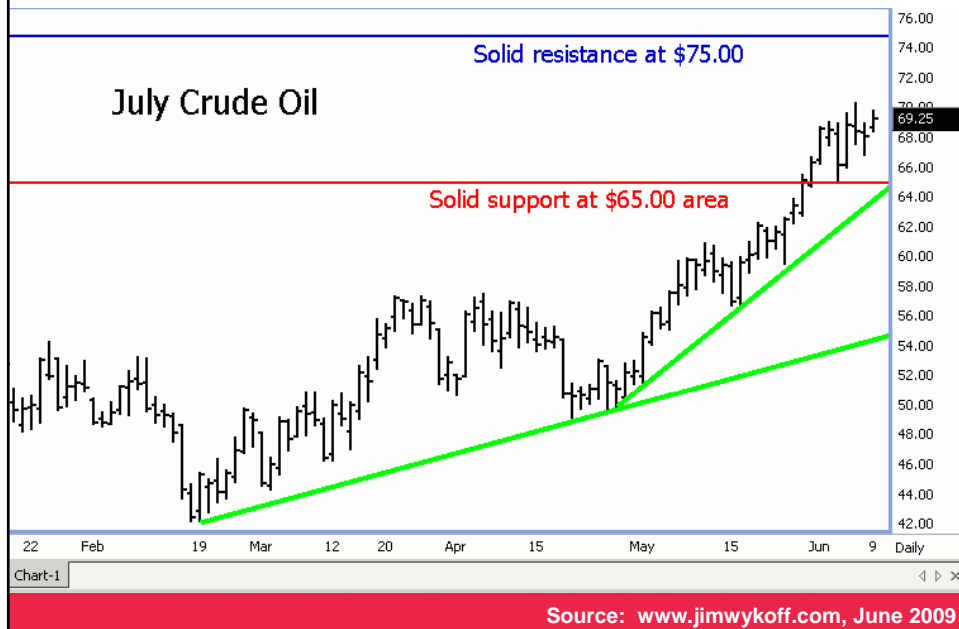
Ethanol Profitability



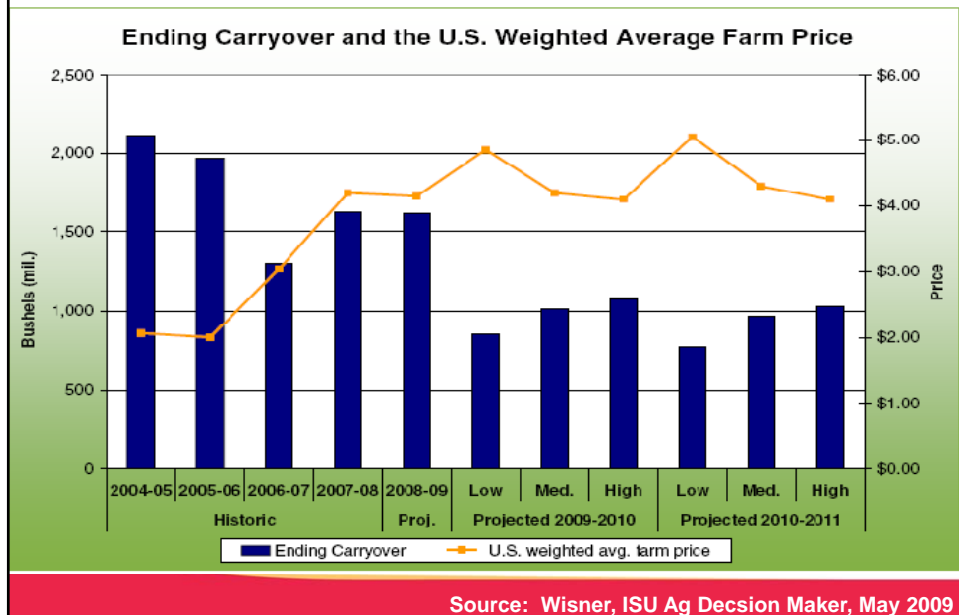
Ethanol Production Costs



Nearby Crude Oil Chart

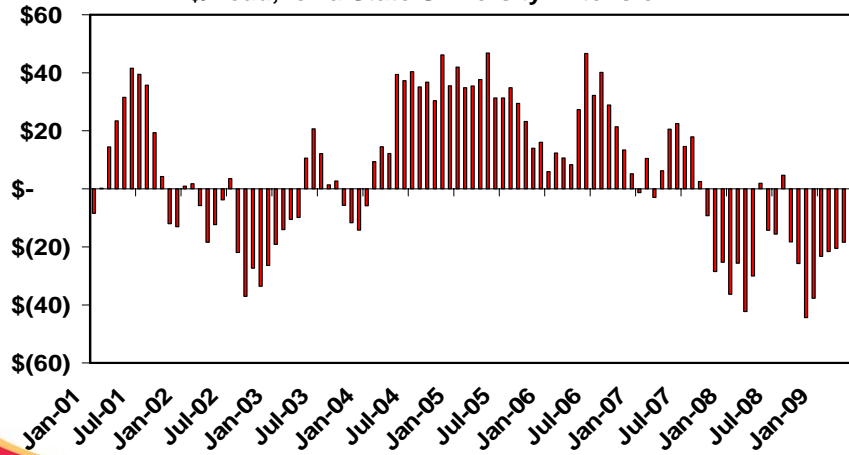


Corn Estimates through 2010-11



Hog Farrow to Finish Profitability

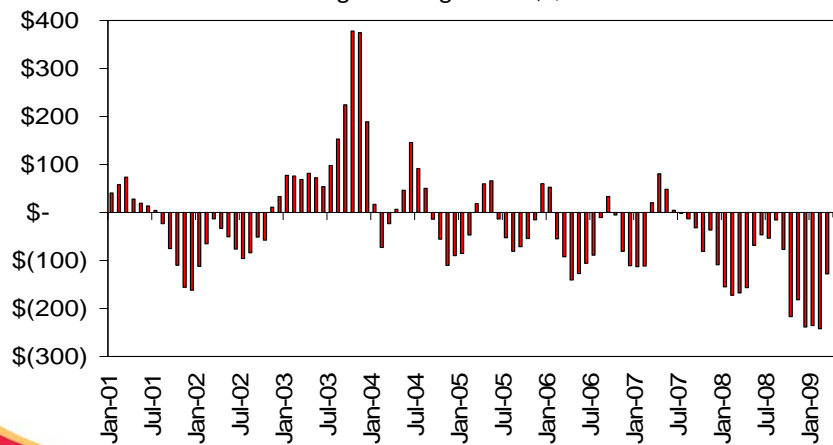
Estimated Returns to Farrow to Finish Hog Production, \$/Head, Iowa State University Extension



Source: ISU Extension Economics, May 2009

Finishing Steers Profitability

Iowa State University Extension, Estimated Returns to Finishing Yearling Steers, \$/head



Source: ISU Extension Economics, May 2009

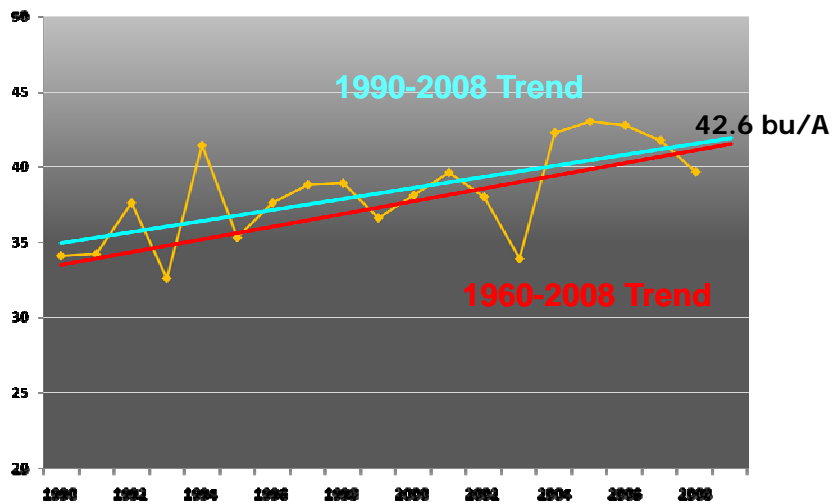
U.S. Soybean Supply/Demand & Price

	<u>2008/09 Estimated</u>	<u>2009/2010 Projected</u>
Area Planted	75.7	76.0
Area Harvested	74.6	75.0
Yield	39.6	42.6
Beginning Stocks	205	110
Production	2,959	3,195
Imports	12	12
Supply, Total	3,176	3,317
Crush	1,650	1,675
Exports	1,250	1,260
Seed	94	92
Residual	73	79
Use, Total	3,066	3,107
Ending Stocks	110	210
Average Farm Price	\$10.00	\$9.00 - \$11.00

Source: WASDE, June 10th, 2009

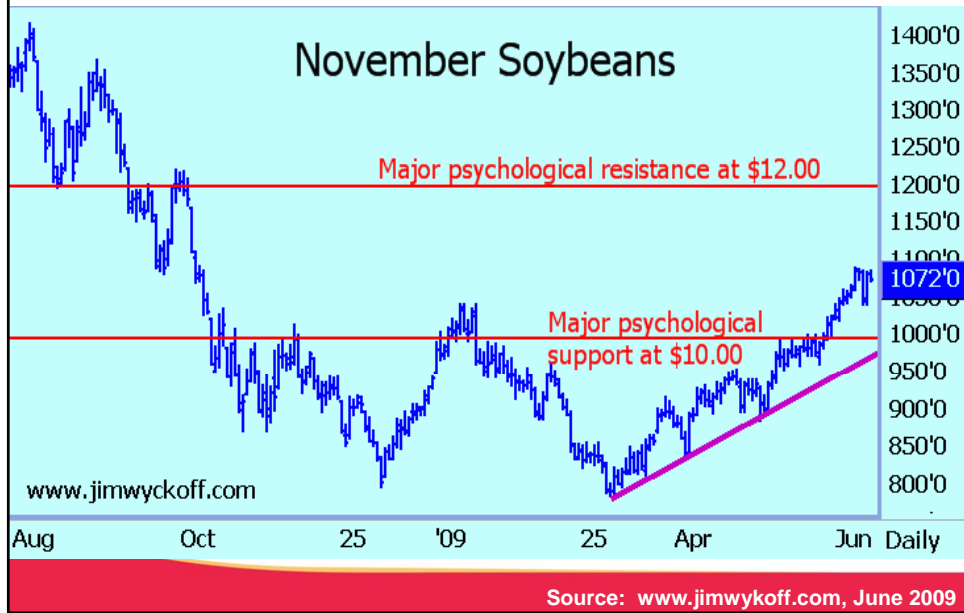
Soybean Trend Line Yields

U.S. Yields Per Acre



Source: WASDE, June 10th, 2009

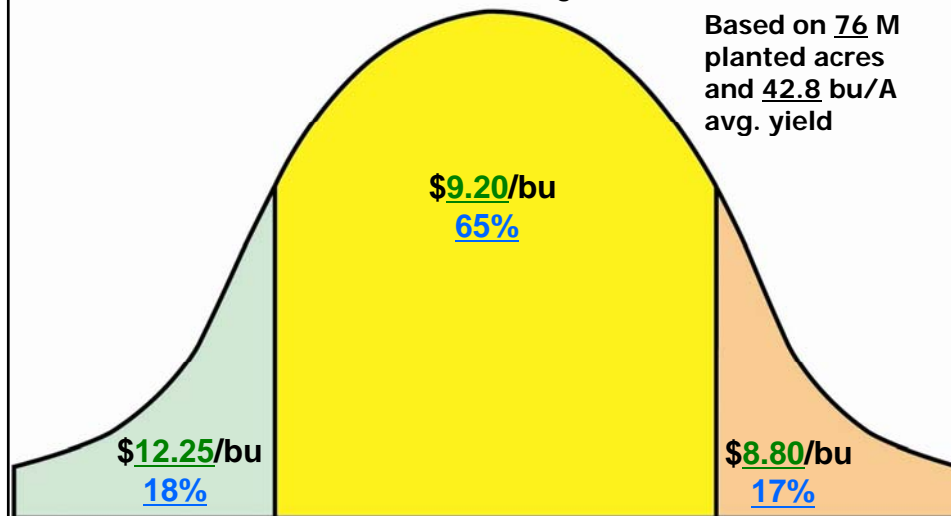
New Crop Soybean Chart



Soybean Cash Price & Probability Forecast

'09-'10 Marketing Year

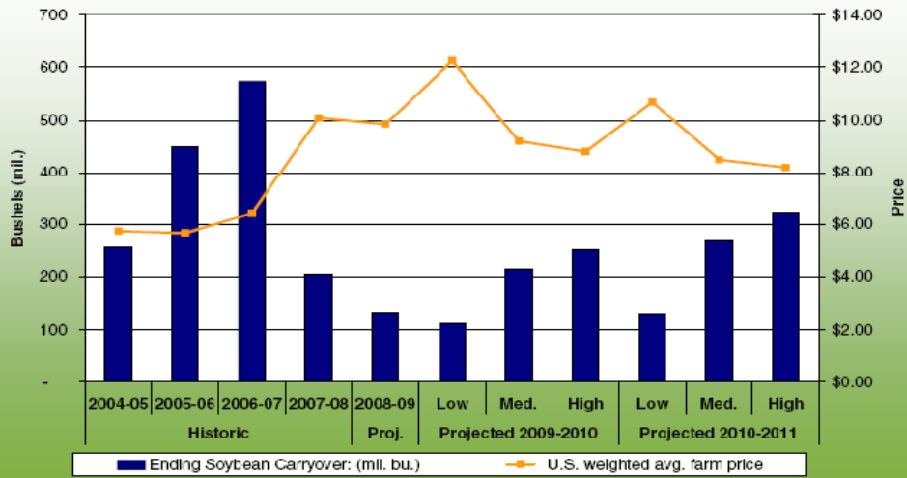
Based on 76 M planted acres and 42.8 bu/A avg. yield



Source: Wisner, ISU Biofuels Economist, May 12th, 2009

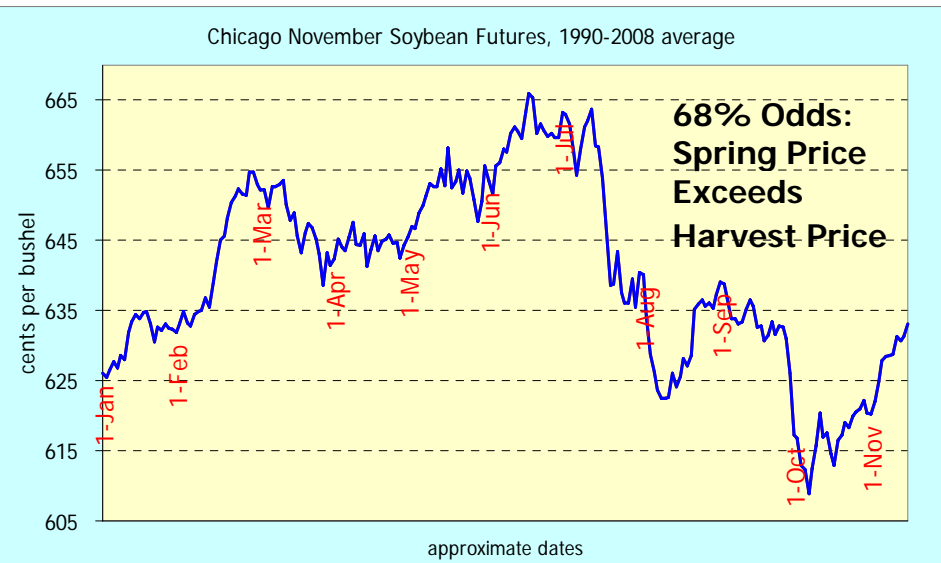
Soybean Estimates through 2010-11

Ending Carryover and the U.S. Weighted Average Farm Price



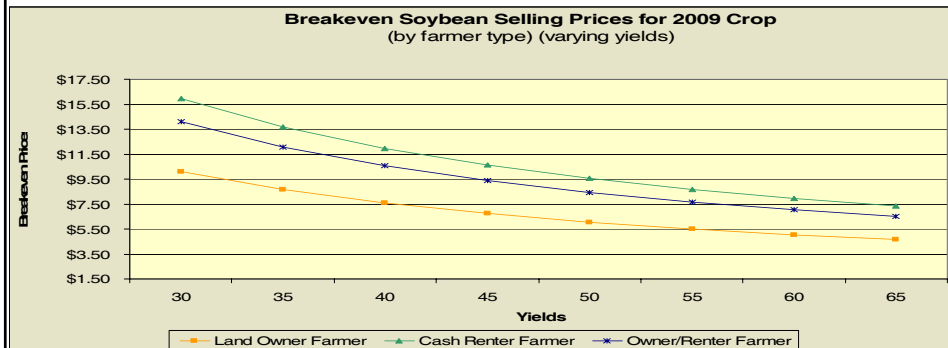
Source: Wisner, ISU Ag Decision Maker, May 2009

New Crop Soybeans Seasonal Trend



Source: CBOT, U of MN, CFFM, 2008

2009 Soybean Breakeven Selling Prices

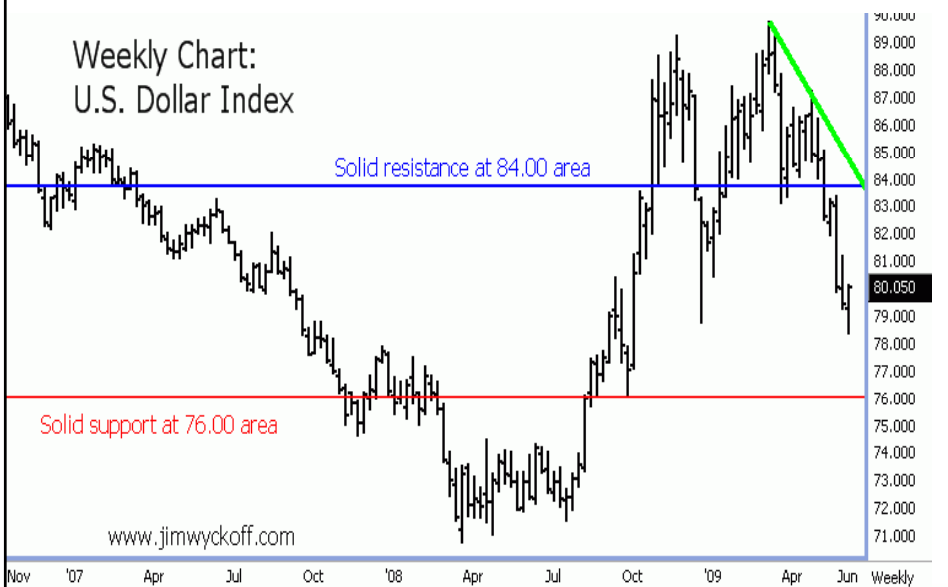


Breakeven Soybean Selling Prices

	Total Cost (per acre)	Yield								
		30	35	40	45	50	55	60	65	
Land Owner Farmer	\$ 303	Cost/Bu. \$ 10.10	\$ 8.66	\$ 7.58	\$ 6.74	\$ 6.06	\$ 5.51	\$ 5.05	\$ 4.66	
Cash Renter Farmer	\$ 478	Cost/Bu. \$ 15.94	\$ 13.66	\$ 11.95	\$ 10.62	\$ 9.56	\$ 8.69	\$ 7.97	\$ 7.36	
Owner/Renter Farmer	\$ 422	Cost/Bu. \$ 14.07	\$ 12.06	\$ 10.55	\$ 9.38	\$ 8.44	\$ 7.67	\$ 7.04	\$ 6.49	

Source: ISU Ag Decision Maker, A1-86, May 2009

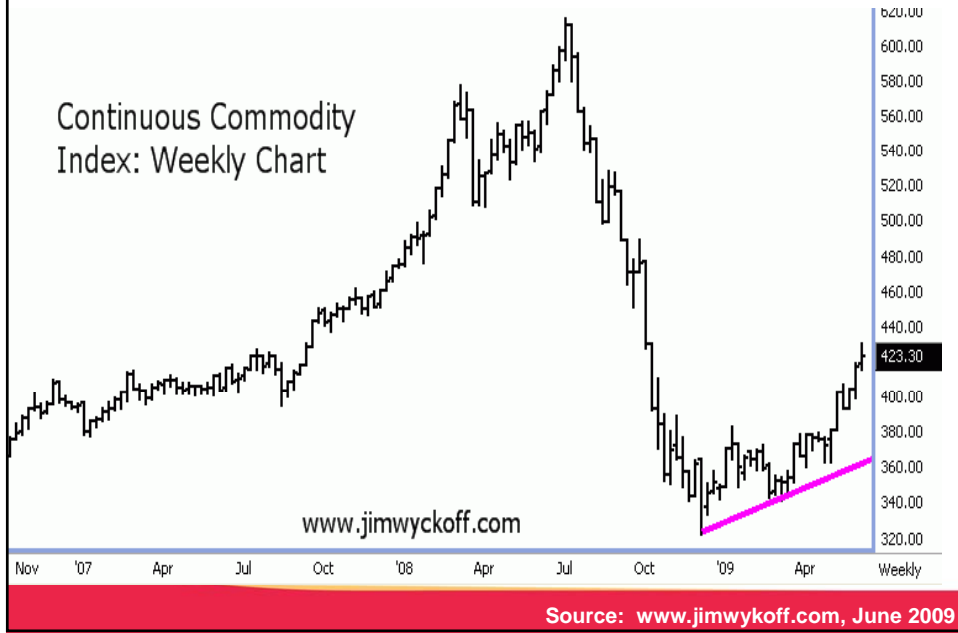
Weekly Dollar Index Chart



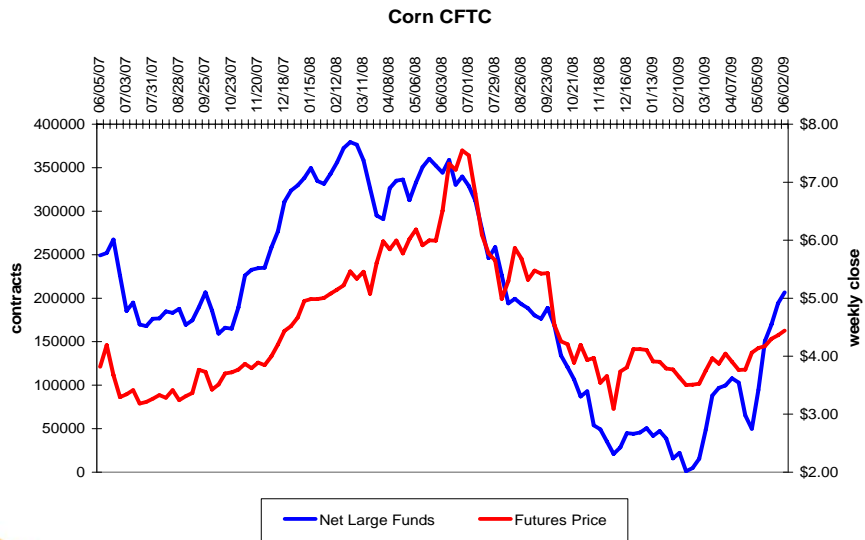
Source: www.jimwyckoff.com, June 2009

Weekly Commodity Index Chart

Continuous Commodity Index: Weekly Chart

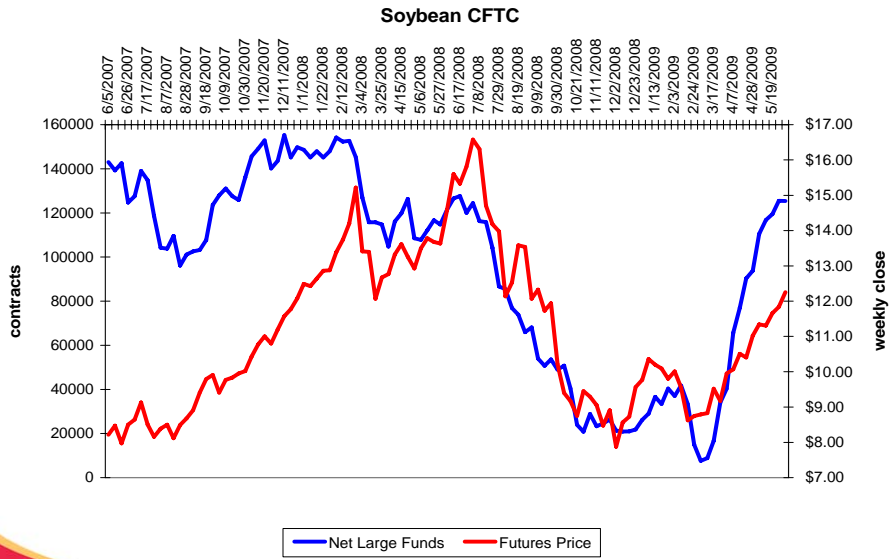


Comparing Net Large Funds to Corn Futures Price



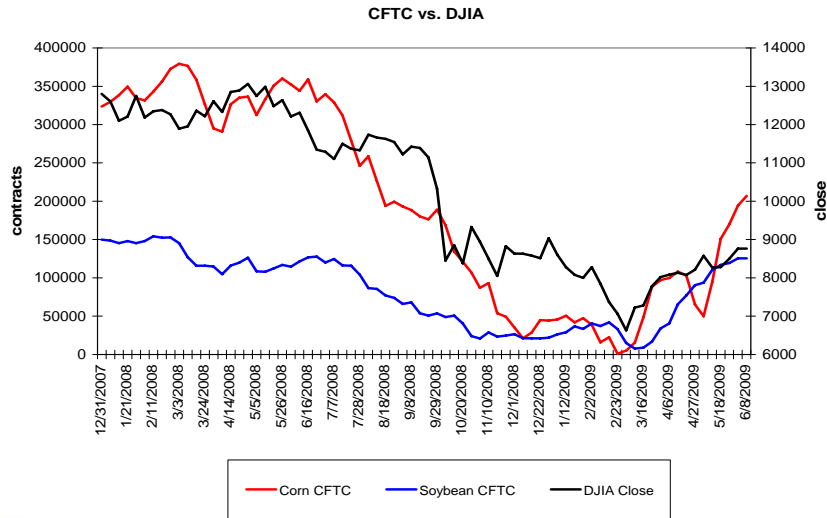
Source: Newsom, DTN, June 2009

Comparing Net Large Funds to Soybean Futures Price



Source: Newsom, DTN, June 2009

Compare CFTC Contracts for Corn & Soybeans to the Dow Jones Industrial Average



Source: Newsom, DTN, June 2009

5 Strategies for Managing Crop Margins

Consider some
2010 Corn
Sales/Purchase
of Fall NH₃

Crop Prices are
impacted by
more than
Supply/Demand

Expect
Variability in
Harvest Basis

Corn and
Soybean
Breakeven
Prices vary by
Farmer Type &
Yields

Utilize a Variety of Tools: Sell 2009 Crop to
Match Cash Flow & On-Farm Storage

Source: Johnson, ISU Extension, June 2009

5 Crop Risk Management Web Sites

- **Ag Decision Maker – ISU Extension Economics**
(Spreadsheets: Current Profitability Forecasts, Decision Tools)
www.extension.iastate.edu/agdm
- **Farm Doc – U of IL Extension Economics**
www.farmdoc.uiuc.edu
- **ISU Center for Agricultural and Rural Development**
www.card.iastate.edu
- **Center for Farm Financial Management**
www.cffm.umn.edu
- **Crop Risk Management – ISU Polk County**
Marketing, Farm Program, Crop Insurance & Farmland Leasing
Updates/Newsletters/Webcasts
www.extension.iastate.edu/polk/farmmanagement



Source: Johnson, ISU Extension, June 2009