

MANAGING **CROP RISKS** in **V**OLATILE TIMES

June 2011

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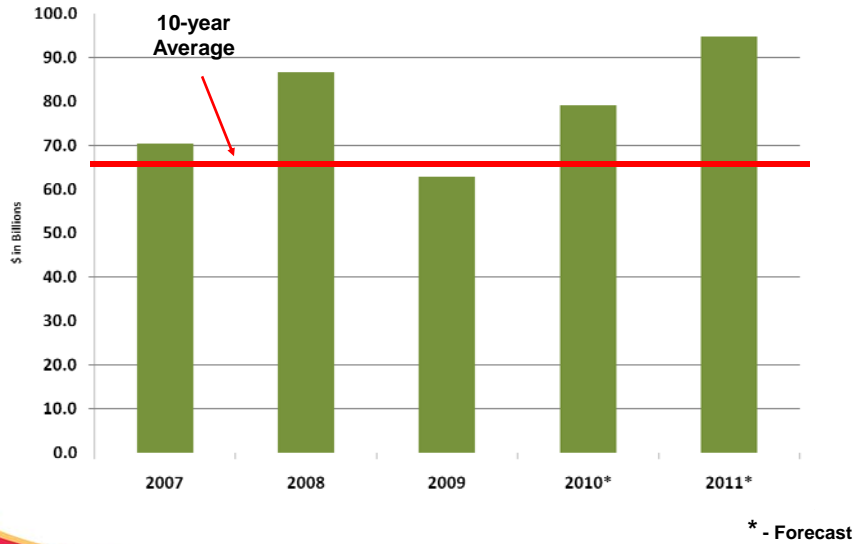
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Presentation Objectives

- **Review Net Farm Income and Expense Trends**
- **Highlight the latest U.S. Supply/Demand and 2011 Price Forecasts for Corn & Soybeans**
- **Highlight 5 Crop Related Uncertainties**
- **Discuss Ideas for Moving Beyond Managing by Silos to Implement Your Strategic Plan**
- **Summarize with 5 Strategies and 5 Websites**

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U.S. Net Farm Income Trends



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Source: USDA Economic Research Service, Feb. 2011

U.S. Corn Supply/Demand & Price

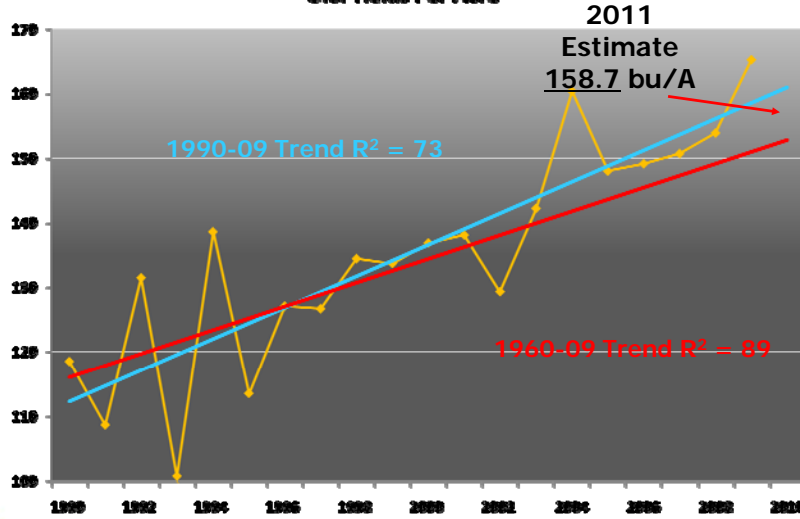
	2010/11 Estimated	2011/2012 Projected
Area Planted	88.2	90.7
Area Harvested	81.4	83.2
Yield	152.8	158.7
Beginning Stocks	1,708	730
Production	12,447	13,200
Imports	25	20
Supply, Total	14,180	13,950
Feed & Residual	5,150	5,000
Food, Seed & Industrial	6,400	6,455
Domestic Use, Total	11,550	11,455
Exports	1,900	1,800
Use, Total	13,450	13,255
Ending Stocks	730	695
Average Farm Price	\$5.20-\$5.50 Midpoint \$5.35/bu	\$6.00 - \$7.00 Midpoint \$6.50/bu

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Source: USDA WASDE Report, June 9th, 2011

Corn Trend Line Yields

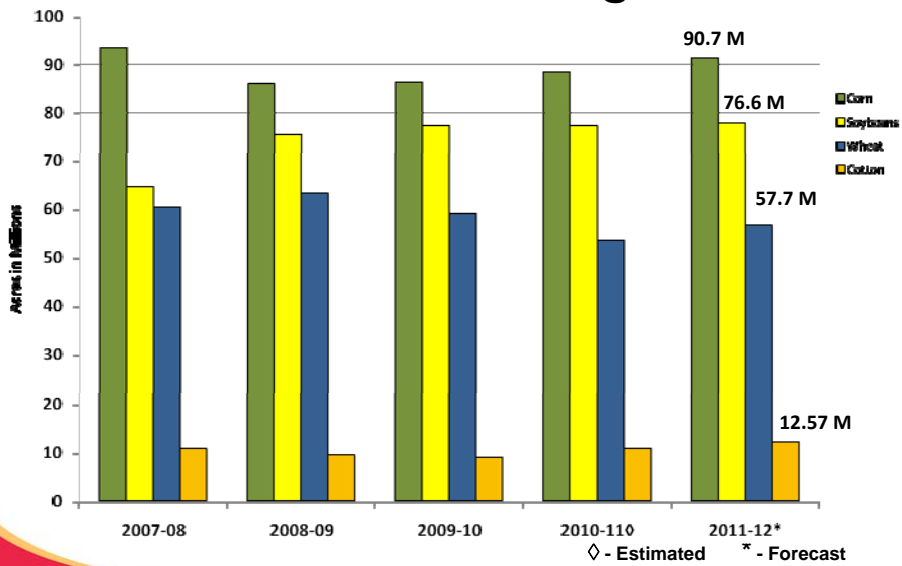
U.S. Yields Per Acre



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Source: USDA WASDE, May 11th, 2011

2011 U.S. Planted Acreage Forecast



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Source: USDA WASDE, June 9th, 2011

2011 U.S. Acreage & Yield Matrix

Planted Corn Acres	Harvested Acres For Grain (92%)	4 bu/A Below Trend	2-bu/A Below Trend	Trendline Yield
<i>In Millions</i>	<i>In Millions</i>	158 bu/A	160 bu/A	162 bu/A
89	81.9	12.9	13.1	13.3
89.5	82.3	13.1	13.2	13.34
90	82.8	13.2	13.25	13.4
90.5	83.3	13.16	13.33	13.5
91	83.7	13.2	13.4	13.6
91.5	84.2	13.3	13.5	13.64
92	84.6	13.37	13.54	13.7

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Source: USDA WASDE & ISU Extension, June 2011

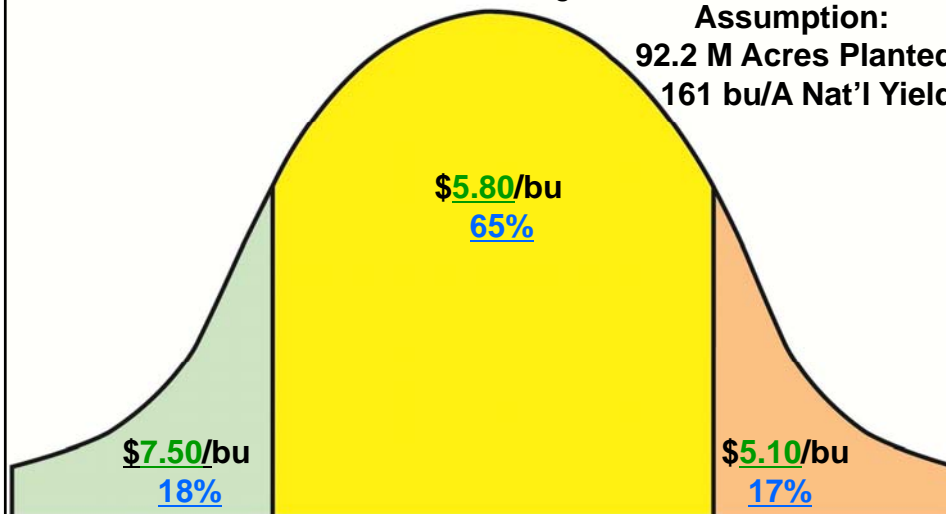
Corn Cash Price & Probability Forecast

'11-'12 Marketing Year

Assumption:

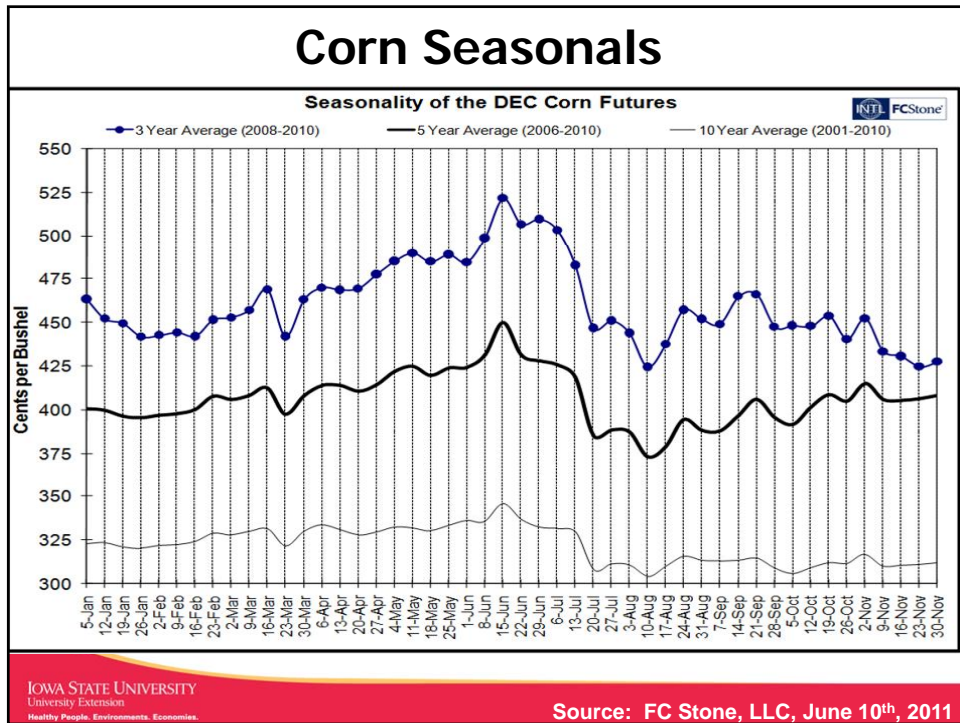
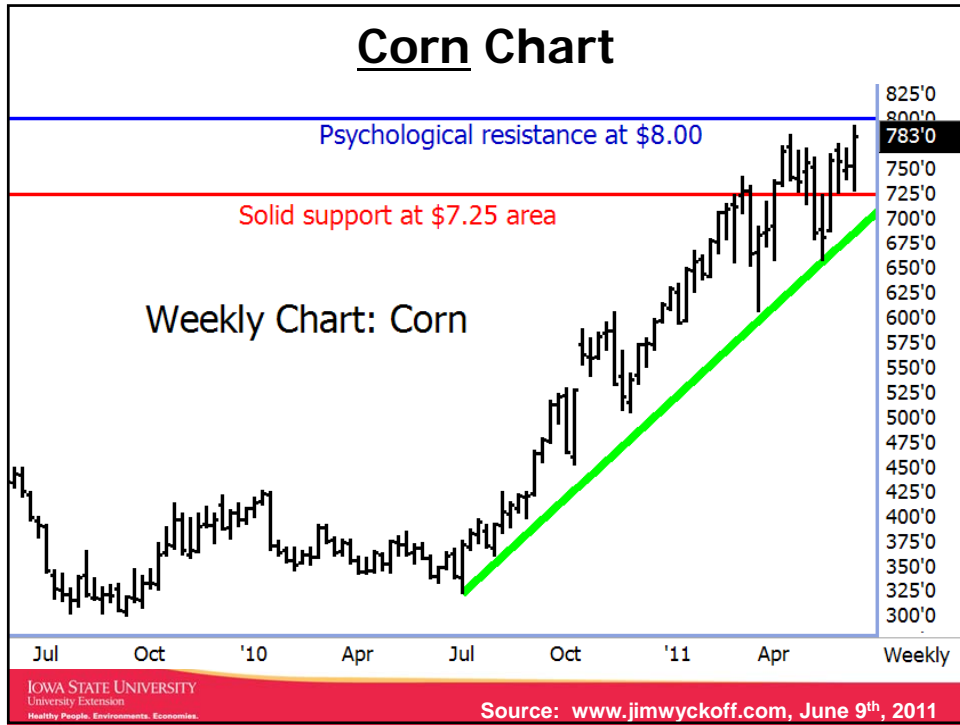
92.2 M Acres Planted

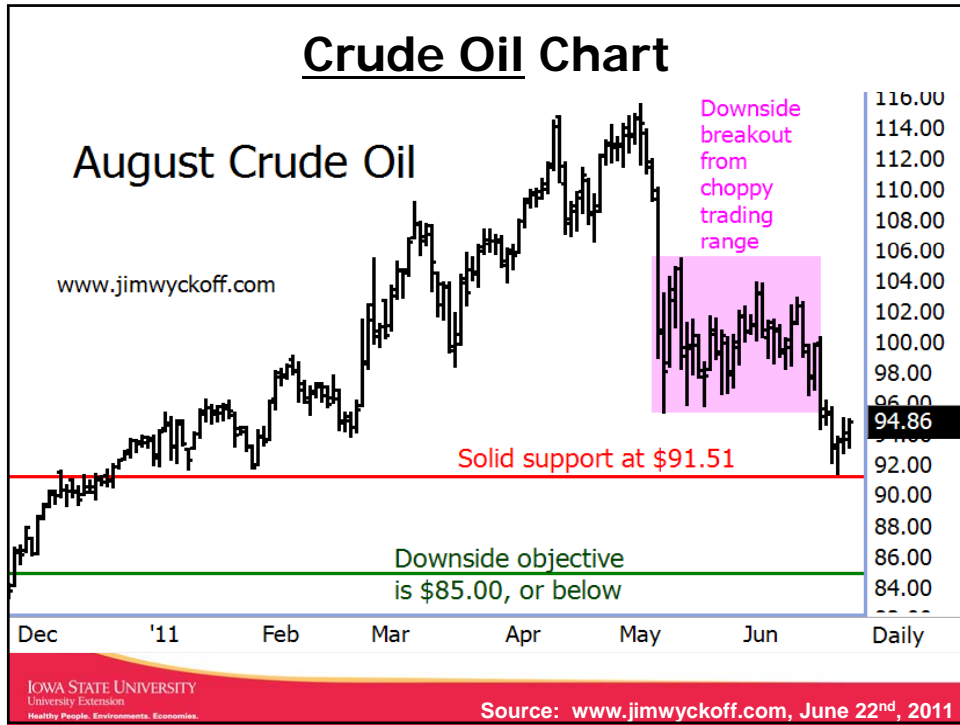
161 bu/A Nat'l Yield



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Source: Wisner, ISU Biofuels Economist, April 20th, 2011





U.S. Soybean Supply/Demand & Price

	2010/11 Estimated	2011/2012 Projected
Area Planted	77.4	76.6
Area Harvested	76.6	75.7
Yield	43.5	43.4
Beginning Stocks	151	180
Production	3,329	3,285
Imports	15	15
Supply, Total	3,495	3,480
Crush	1,650	1,655
Exports	1,540	1,520
Seed	89	90
Residual	36	25
Use, Total	3,315	3,290
Ending Stocks	180	190
Average Farm Price	\$11.40	\$13.00-\$15.00 Midpoint \$14.00/bu

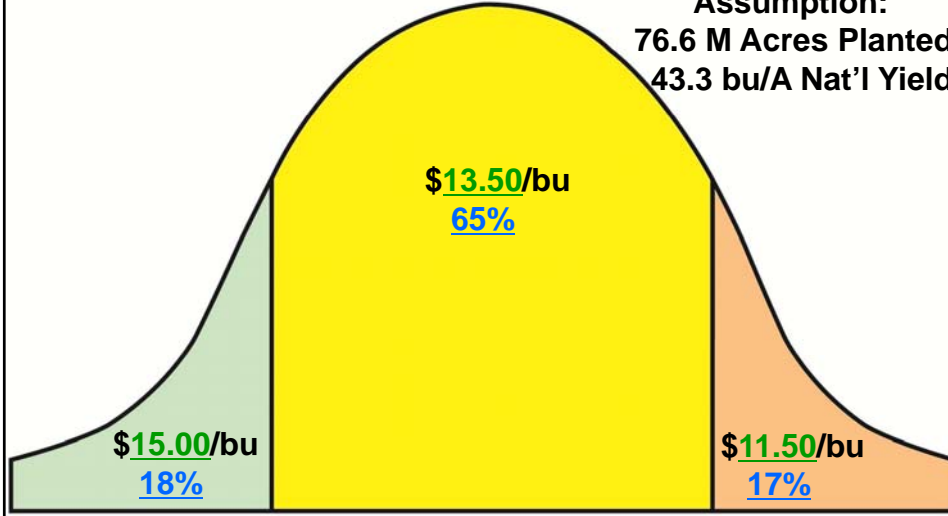
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Source: USDA Reports, June 9th, 2011

Soybean Cash Price & Probability Forecast

'11-'12 Marketing Year

Assumption:
76.6 M Acres Planted
43.3 bu/A Nat'l Yield

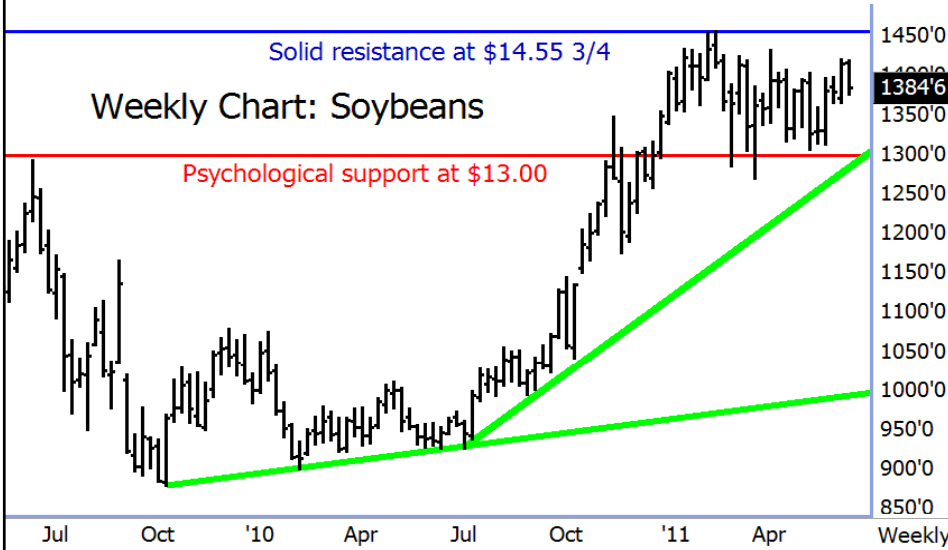


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Source: Wisner, ISU Biofuels Economist, April 20th, 2011

Soybean Chart

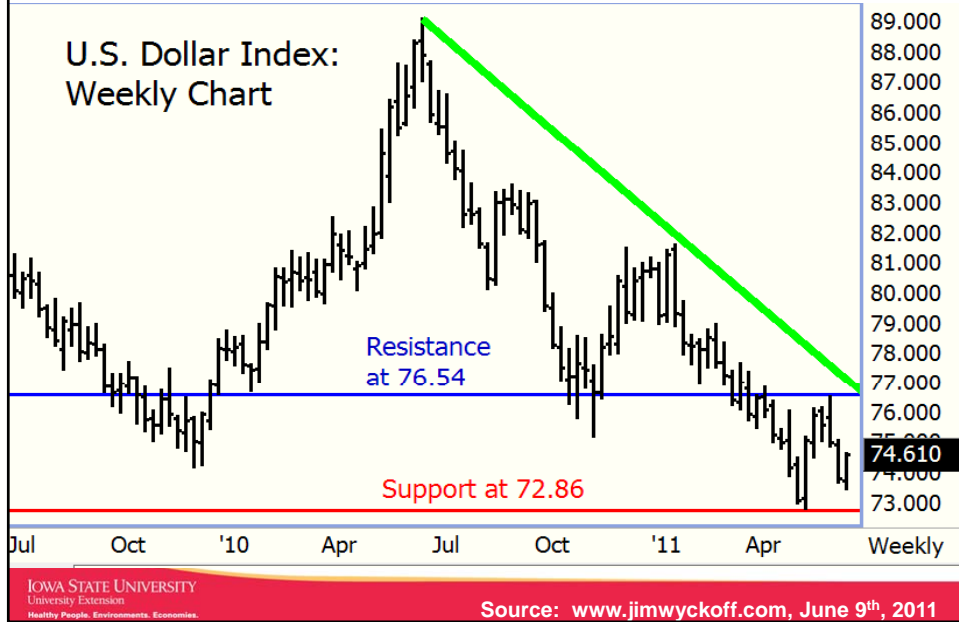
Weekly Chart: Soybeans



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Source: www.jimwyckoff.com, June 9th, 2011

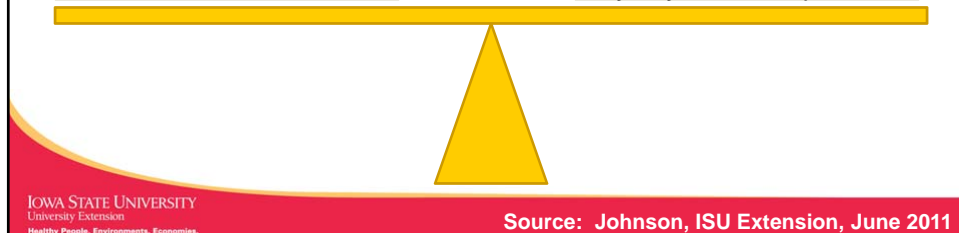
U.S. Dollar Chart



Price Outlook: More than Supply/Demand Fundamentals

1. Global Demand (exports and feed rationing)
2. Hedge & Index Fund Positions
3. Technical Signals and Price Volatility
4. Outside Markets: (Crude Oil, U.S. Dollar Value Index, Precious Metals)

5. Global Supply (acreage & yield)
6. U.S. & Global Economic Recovery
7. Biofuel Tax Credits Extension beyond 2011 & Renewable Fuels Standard (RFS) Mandate
8. Random Shocks (Egypt, Libya, Syria, Iran, etc.)



5 Crop Related Uncertainties

- **Global Economic Instability**
 - Financial & Trade
 - Military
- **Government Debt**
 - Increasing Taxes or Reducing Expenses
- **Funds' Aversion to Risk**
- **Inflation & Interest Rates**
- **Weather**



Move Beyond Silo Management

Learn to Combine:

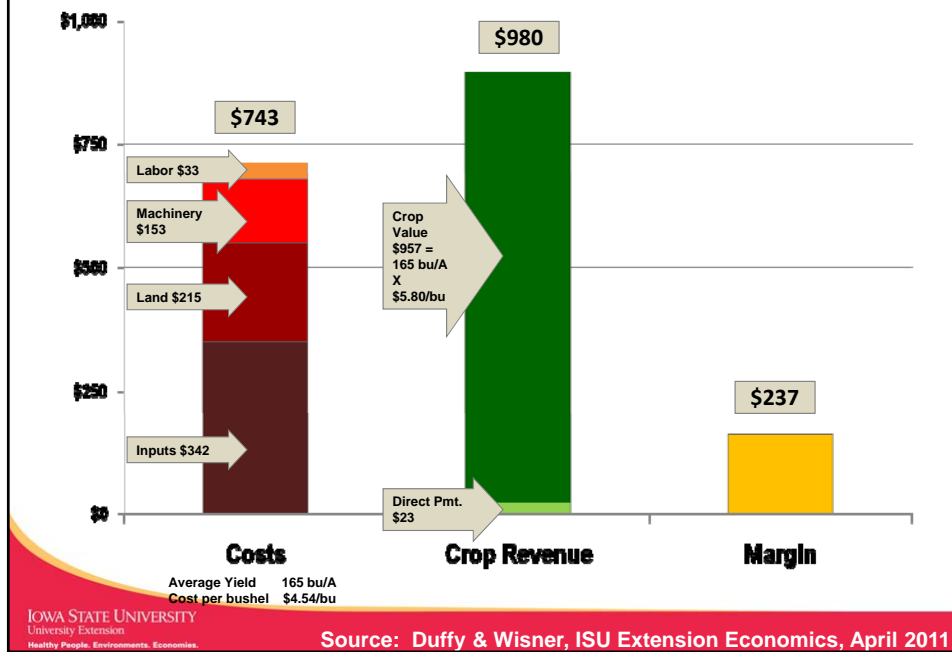
- Costs
- Crop Revenue
- Margins



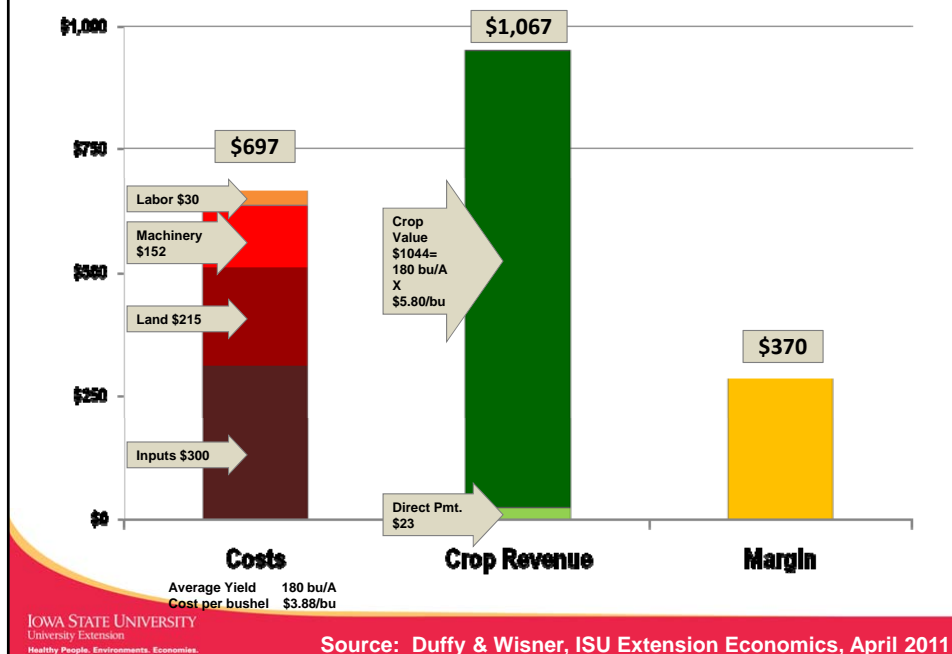
Protect Profits & Create Price Floors
Separate Delivery vs. Non Delivery of Bushels

Consider Early 2012 Sales to Match Known Costs and Profit Margins

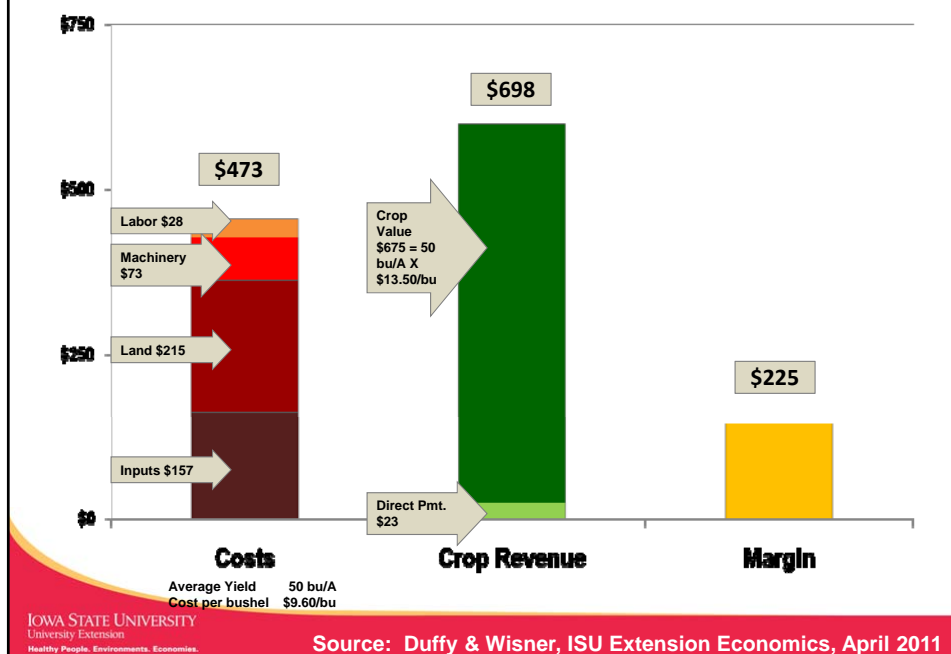
2011 Margin Estimate: Corn following Corn



2011 Margin Estimate: Corn following Soybeans



2011 Margin Estimate: Soybeans following Corn



Implement Your Strategic Plan

- Know Your Costs: by Crop, by Farm and by Rotation
- Estimate Your 2011 and 2012 Margins Now
- Manage Large 2011 Income Tax Liabilities by:
 - Pre-paying 2012 Inputs
 - Investing in Depreciable Assets
 - Shifting 2011 Crop Cash Settlements to 2012



5 Crop Risk Management Strategies

Learn to Use a
Variety of
Marketing Tools

Build Knowledge
and Trust with
Landlords,
Suppliers,
Merchandisers &
Lenders

Plan Ahead for
2011 & 2012

Income:
Maintain
Adequate
Working
Capital

Secure Rented
Farmland
Multi-Year

Use Government Farm Programs:
* Crop Insurance including Hail

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Source: Johnson, ISU Extension, June 2011

5 Crop Risk Management Web Sites

- **Crop Risk Management - ISU Polk County**
(Monthly Crop Marketing Strategies Newsletter & Webcast, Updates on Crop Insurance, Farmland Leasing & Grain Contracts)
www.extension.iastate.edu/polk/farmmanagement
- **Farm Doc – U of IL Extension Economics**
(FAST Tools, Newsletters, Publications and FarmDoc Daily)
www.farmdoc.illinois.edu
- **Ag Manager – Kansas State Extension Economics**
www.agmanager.info
- **ISU Center for Agricultural Law and Taxation**
www.calt.iastate.edu
- **Ag Decision Maker – ISU Extension**
(Decision Tools, Newsletters, Publications and Voiced Media)
www.extension.iastate.edu/agdm

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