

“Managing Corn on Corn”

SE Area

Field Specialist Web Cast

March 12, 2007



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Agenda for Today

- **High Price Corn... Feast or Famine**
 - Bob Wells
- **Corn Production Considerations**
 - Jim Fawcett
- **Economics of Corn on Corn**
 - Jim Jensen
- **Managing Rootworms, Nitrogen and Stands**
 - Virgil Schmitt
- **Questions and Wrap-up**

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High Price Corn... Feast or Famine

Thoughts for Decision Making

Bob Wells

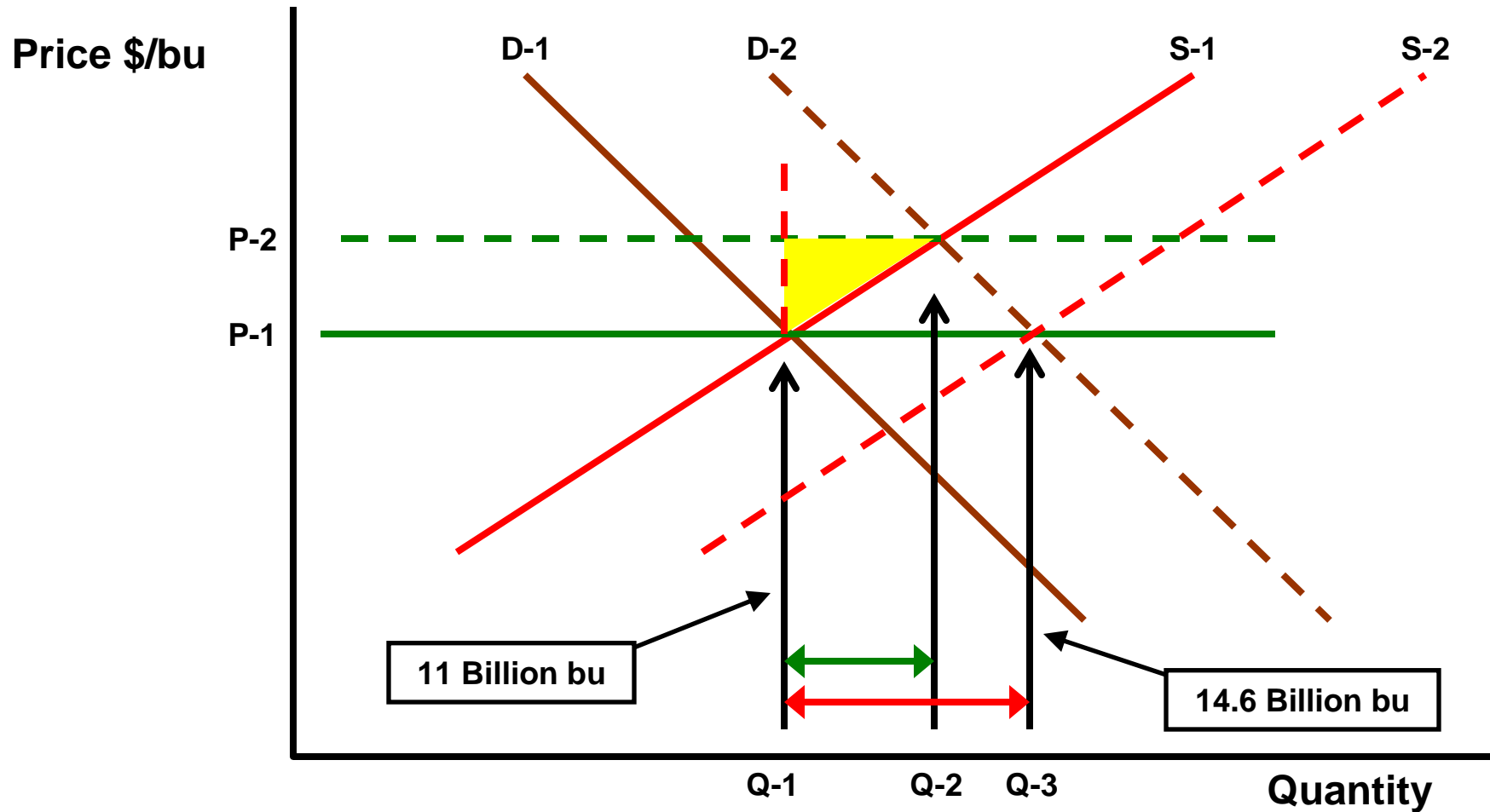
Field Specialist Agriculture Economics

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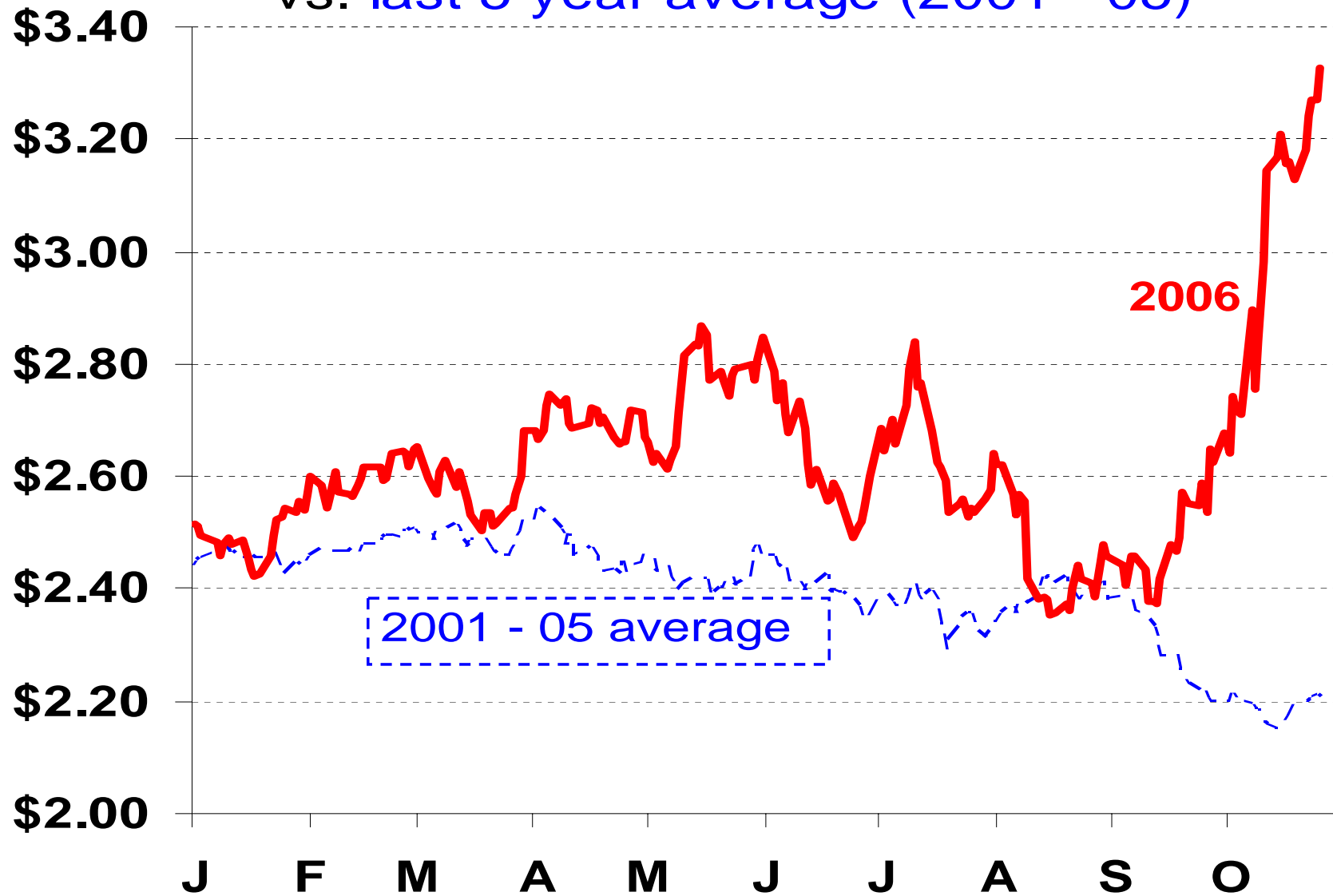
Economics 101

Economics 101



2006 Dec. Corn Futures

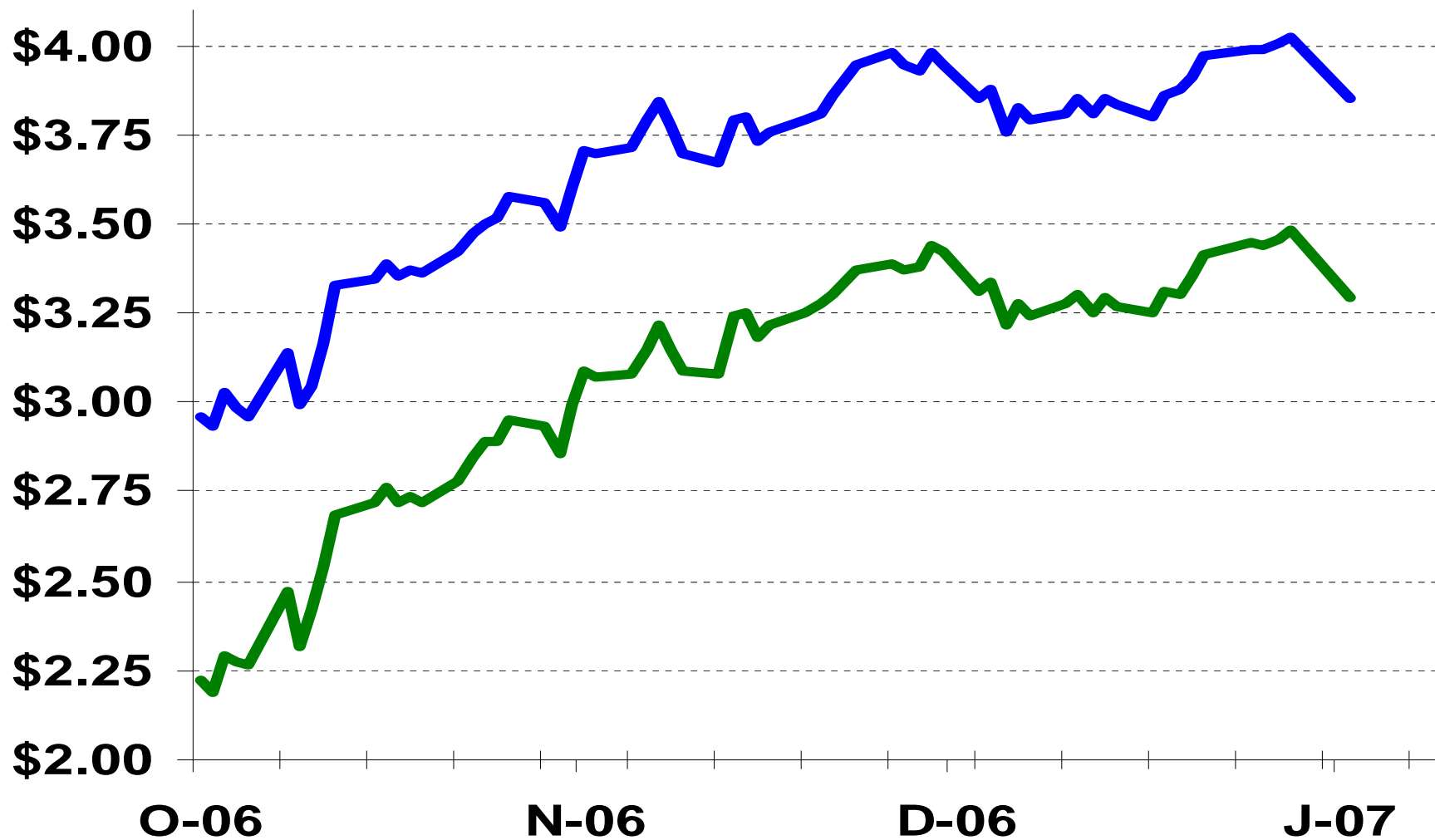
vs. last 5 year average (2001 - 05)



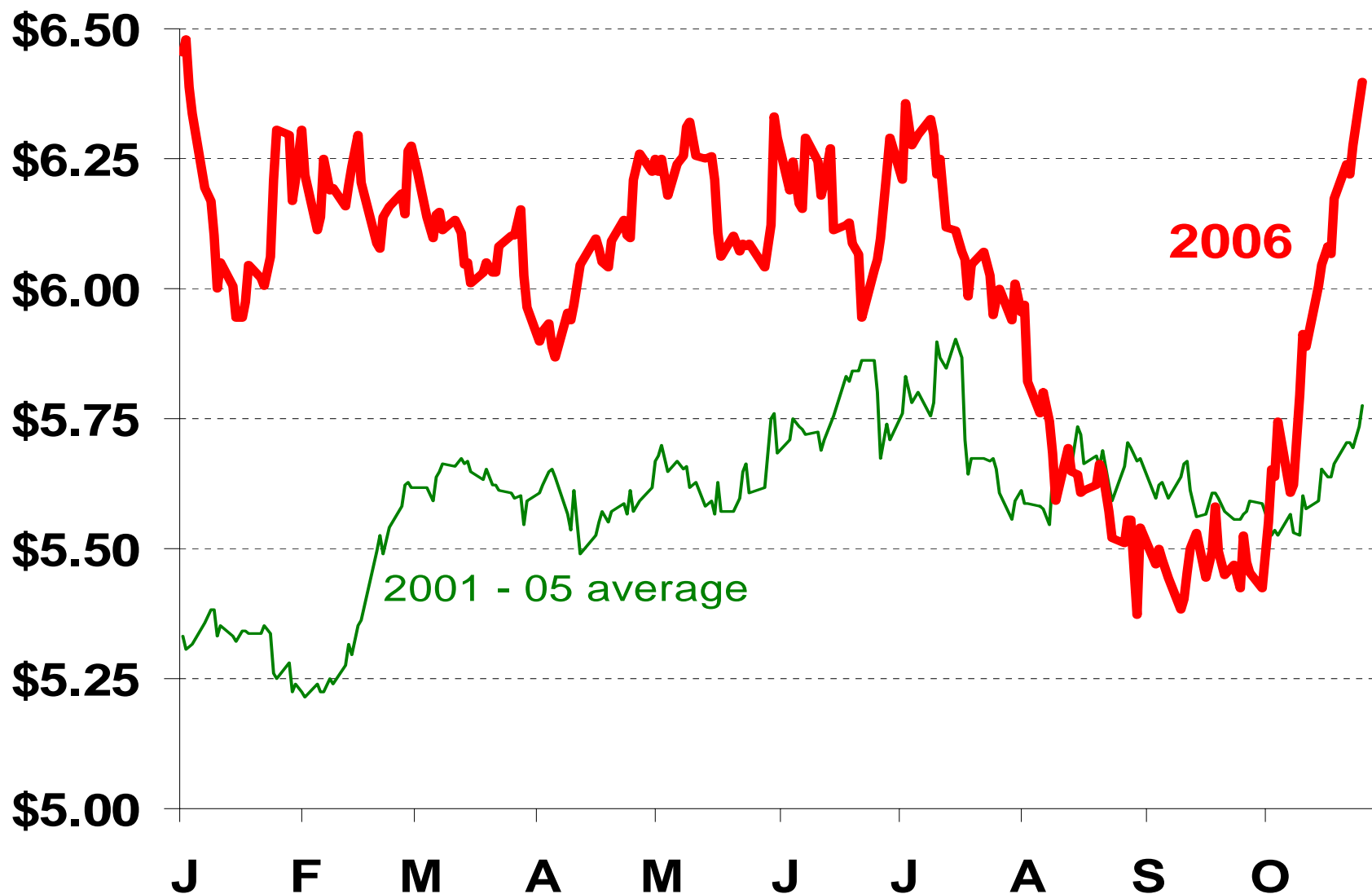
December Corn Futures (last 5 year average)



July Corn Futures and Average Iowa Cash Corn Price (since early Oct.)



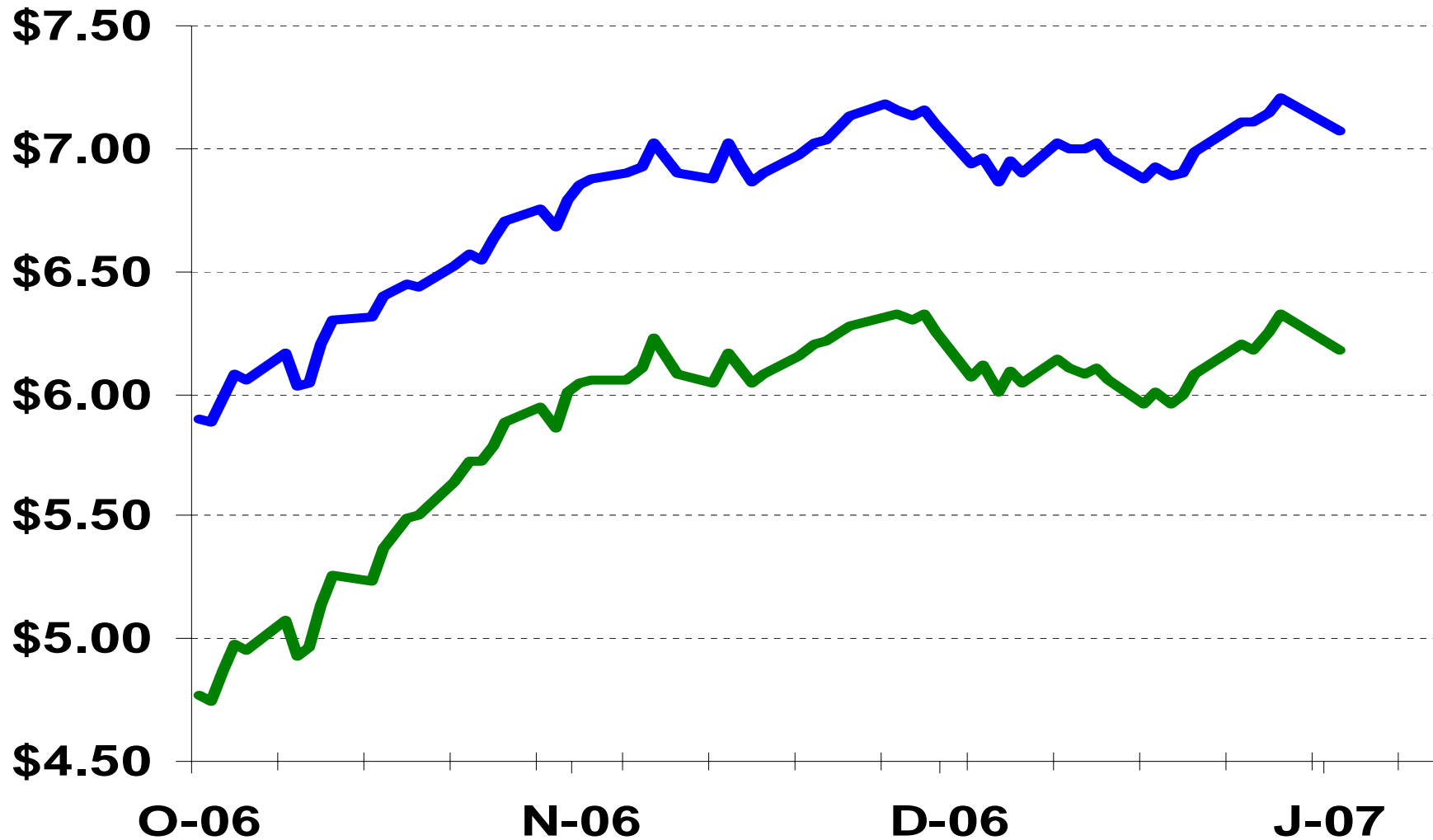
2006 Nov. Soybean Futures vs. last 5 year average (2001 - 05)



November Soybean Futures (last 5 year average)



July Soybean Futures and Average Iowa Cash Soybean Price (since early Oct.)

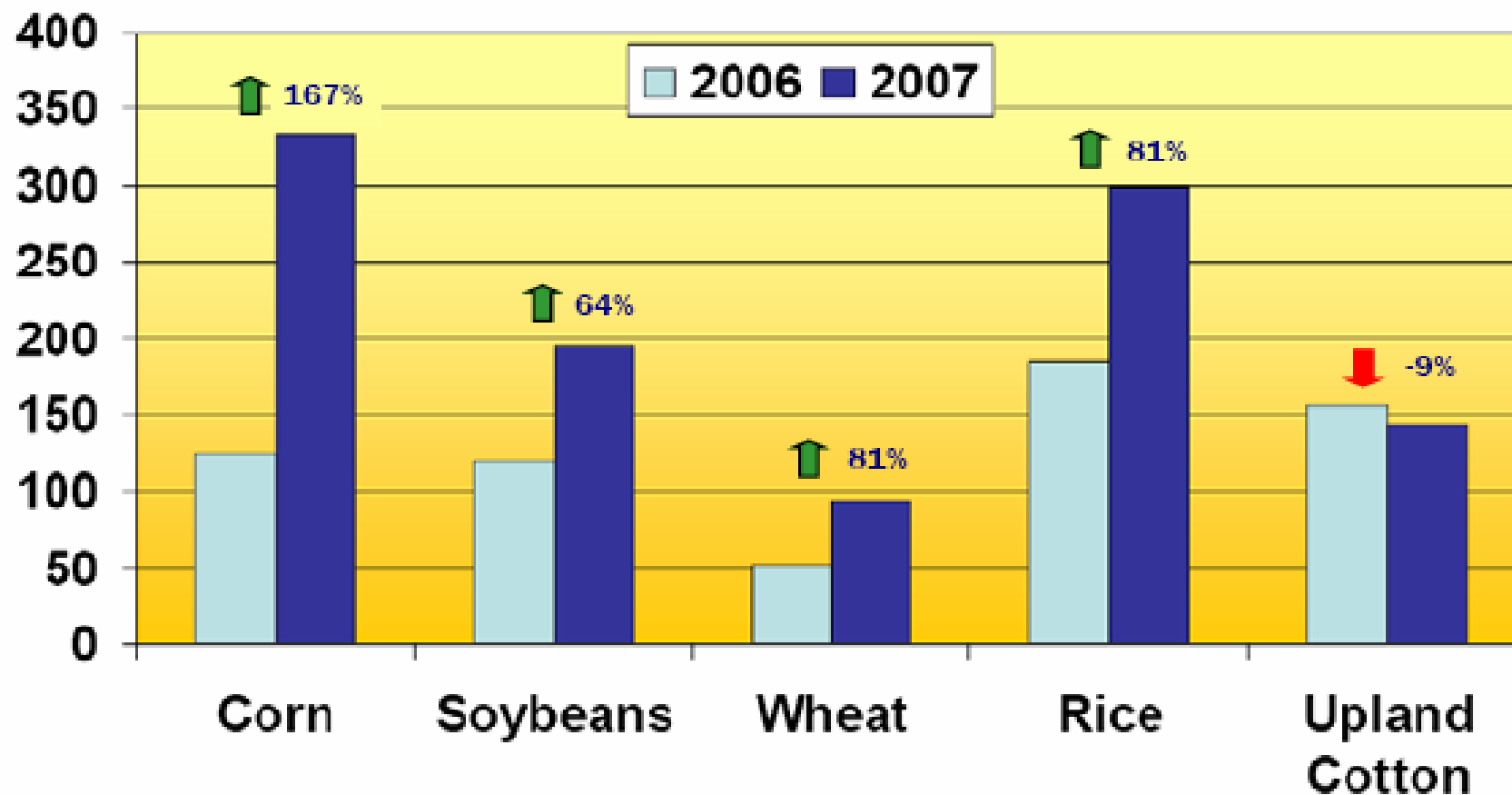


Perspective: Gross returns per corn acre

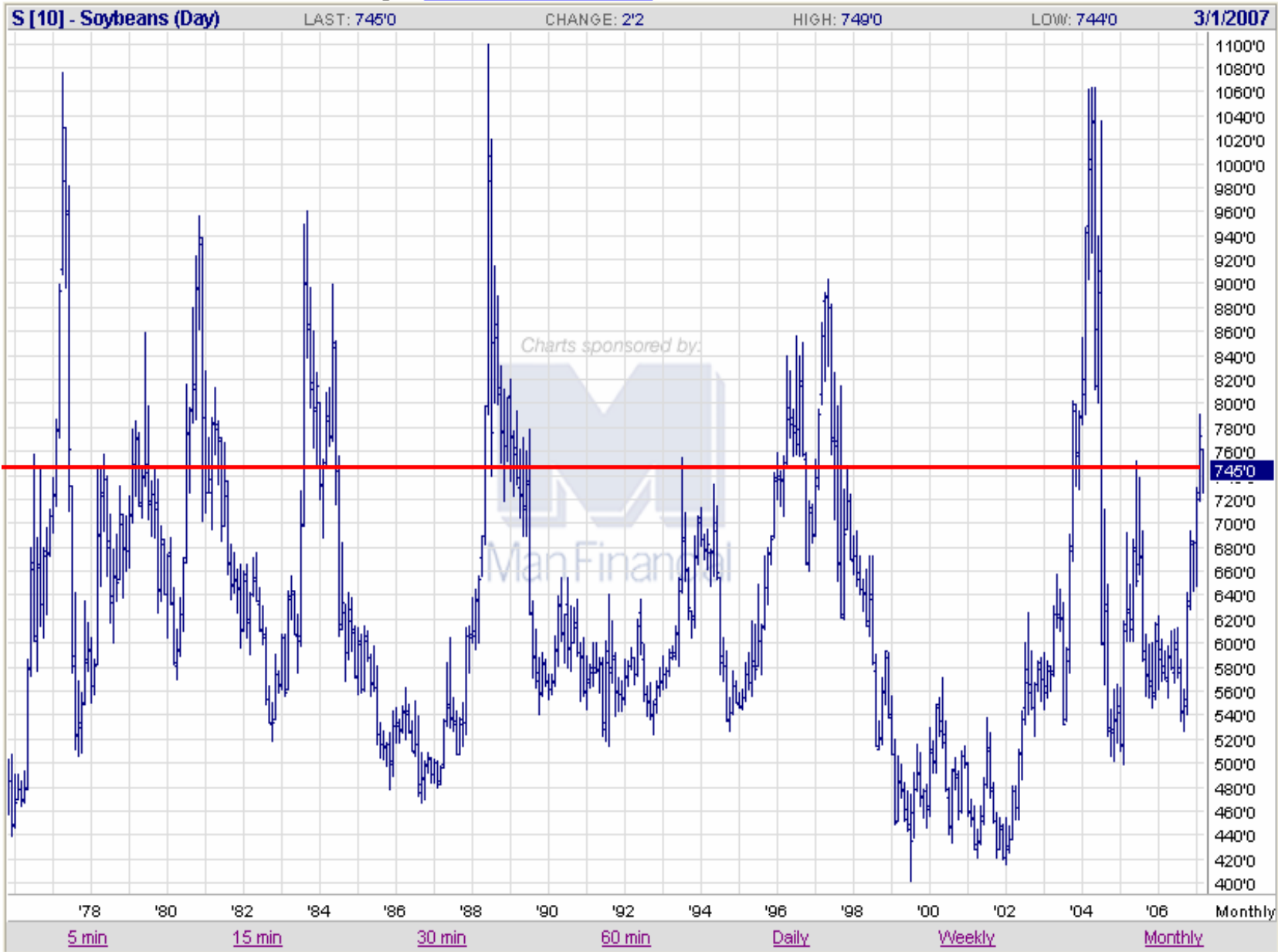
		2006						
Dec Fut		\$2.47	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75
Cash		\$2.07	\$3.10	\$3.35	\$3.60	\$3.85	\$4.10	\$4.35
	140	\$290	\$434	\$469	\$504	\$539	\$574	\$609
	150	\$311	\$465	\$503	\$540	\$578	\$615	\$653
	160	\$331	\$496	\$536	\$576	\$616	\$656	\$696
	170	\$352	\$527	\$570	\$612	\$655	\$697	\$740
	180	\$373	\$558	\$603	\$648	\$693	\$738	\$783
	190	\$393	\$589	\$637	\$684	\$732	\$779	\$827
	200	\$414	\$620	\$670	\$720	\$770	\$820	\$870
Dec Fut		\$2.47	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75
Cash		\$2.07	\$3.10	\$3.35	\$3.60	\$3.85	\$4.10	\$4.35
	140	----	\$144	\$179	\$214	\$249	\$284	\$319
	150	----	\$155	\$192	\$230	\$267	\$305	\$342
	160	----	\$165	\$205	\$245	\$285	\$325	\$365
	170	----	\$175	\$218	\$260	\$303	\$345	\$388
	180	----	\$185	\$230	\$275	\$320	\$365	\$410
	190	----	\$196	\$243	\$291	\$338	\$386	\$433
	200	----	\$206	\$256	\$306	\$356	\$406	\$456

Average Net Returns Above Operating Costs Per Acre

\$ per acre

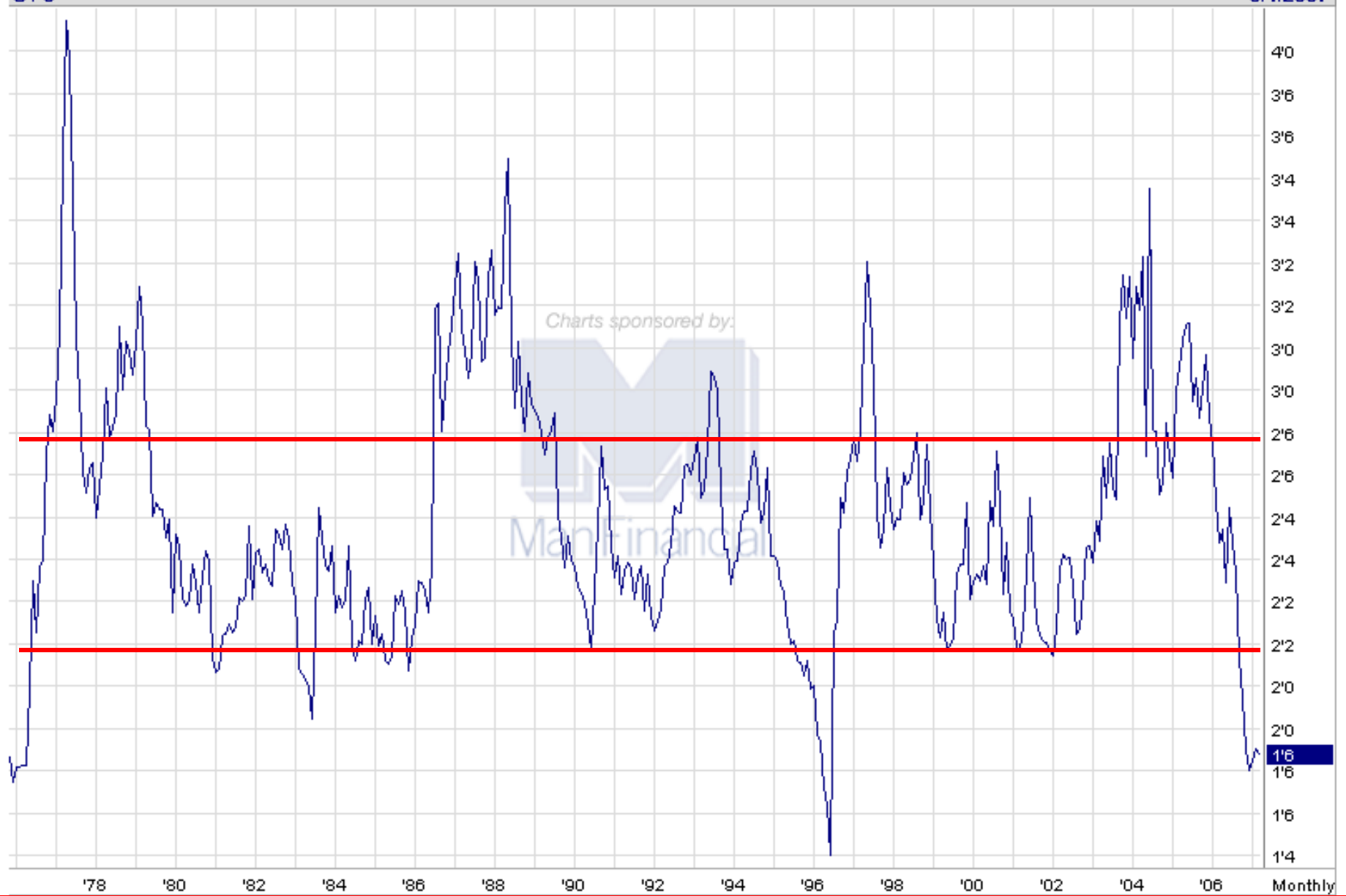


Source: Keith Collins, Chief Economist USDA



S/C

3/1/2007



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Source: Bob Wisner ISUE

2/07/07		Corn Balance Sheet (Mil. Bu.)								
		2004-05	2005-06	Projected	Projected 2007-08			Projected 2008-09		
				2006-07	A	B	C	A	B	C
Supplies:										
Plant. A(mil.)		80.9	81.8	78.6	86.5	87.5	87.5	90.5	90.5	91.0
Harv.A.(mil)		73.6	75.1	70.6	78.6	79.6	80.4	82.2	82.3	82.8
Bu./A.		160.4	147.9	149.1	146.0	155	160	146.0	158	162
Production		11,807	11,114	10,535	11,469	12,340	12,857	12,000	13,010	13,414
Carryover		958	2,114	1,967	693	693	693	697	697	697
Total Supply		12,776	13,237	12,508	12,174	13,047	13,564	12,710	13,722	14,125
Feed & resid.		6,158	6,141	6,000	5,100	5,720	5,900	4,760	5,525	5,745
Food, ind. & seed		2,686	2,981	3,540	4,615	4,670	4,710	5,510	5,650	5,675
Corn for fuel ethanol*		1,323	1,603	2,150	3,225	3,280	3,320	4,110	4,250	4,275
Exports		1,818	2,147	2,275	1,850	1,960	2,000	1,775	1,850	1,875
Total Utilization		10,662	11,270	11,815	11,565	12,350	12,610	12,045	13,025	13,295
Carryover		2,114	1,967	693	609	697	954	665	697	830
U.S. FARM PRICE		\$2.06	\$2.00	\$3.50	\$4.40	3.65	3.40	\$4.40	3.70	3.55
IOWA AVE. PRICE, \$/Bu.		1.96	1.95	\$3.45	4.35	3.60	3.35	4.35	3.65	3.50
Counter-Cyclical Pmt.		0.30	0.35	\$0.00	0	0	0	0	0	0
HARV. PRICE, C.IA		1.60	1.40	\$2.80	3.95	3.20	2.90	4.00	3.35	3.25
DEC. FUT. @ HARV.		\$1.98	\$2.00	\$3.15	\$4.35	\$3.65	\$3.35	\$4.40	\$3.80	\$3.75
Historical Probability					18%	65%	17%	18%	65%	17%
Weeks carryover supply		10.3	9.1	3.1	2.7	2.9	3.9	2.9	2.8	3.2
Feed use % chg. Drought years vs. current						-15.0%		-20.7%		

Source: Bob Wisner ISUE

2/07/07		Soybean Balance Sheet (Mil. Bu.)								
		2004-05	2005-06	2006-07	Projected 2007-08			Projected 2008-09		
					A	B	C	A	B	C
Supplies:										
Plant. A(mil.)		75.2	72.0	75.6	68.6	68.6	68.6	66.0	66	66
Harv.A.(mil)		74.0	71.3	74.6	67.5	67.9	67.9	68.1	65.3	65.3
Bu./A.		42.2	43.0	42.7	39.0	43.4	44	39.0	43.5	44
Production		3,124	3,063	3,188	2,634	2,946	2,987	2,656	2,841	2,874
Carryover		112	256.0	449	562	562	562	389	389	389
Total Supply		3,242	3,322	3642	3,208	3,514	3,552	3,050	3,235	3,268
Crush for oil		1,696	1,739	1780	1,810	1,830	1,835	1,775	1,850	1,855
Seed & Residual		192	188	170	180	175	175	180	175	175
Exports		1,097	947	1130	1,040	1,120	1,130	880	1,040	1,045
Total Utilization- for oil		2,986	2,873	3080	3,030	3,125	3,140	2,835	3,065	3,075
Carryover		256	449	562	178	389	412	215	170	193
U.S. FARM PRICE		\$5.74	\$5.66	\$6.40	\$9.80	6.90	6.70	\$10.15	7.15	6.86
IOWA AVE. PRICE, \$/Bu.		5.64	5.60	\$6.30	9.75	6.85	6.65	10.10	7.10	6.81
Counter-Cyclical Pmt.		0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HARV. PRICE, C.IA		4.70	5.15	\$5.45	9.45	6.70	6.50	9.90	6.90	6.70
NOV. FUT. @ HARV.		\$5.15	\$5.70	\$6.05	\$9.85	\$7.25	\$7.05	\$10.30	\$7.45	\$7.25
Historical Probability					18%	65%	17%	18%	65%	17%
Weeks carryover supply		4.5	8.1	9.5	3.1	6.5	6.8	3.9	2.9	3.3
MEAL DECATUR, \$/T 48%		\$184	\$175	195	\$252	\$192	\$181	\$253	\$194	\$182
SOY OIL, DECATUR, cts./Lb.		23.0	23.8	29.0	45.0	32.0	31.5	48.0	33.0	32.7

Avoid the “SIX”

Common Grain Marketing Mistakes

1. The reluctance towards pre-harvest pricing
2. Failure to understand and track your basis
3. Lack of an exit strategy
4. Holding grain in storage too long
5. Thinking you avoid storage costs when you sell grain and buy a call
- 6. Remembering last year!!!**

Take Home Message

- **Use a Marketing Plan**
 - **Pre-Harvest and Post-Harvest Marketing**
- **Select Price Targets and Decision Dates**
- **Build in Flexibility**
- **Avoid the SIX common marketing mistakes**
- **HIGH PRICES = HIGHER RISK!!!**

THANK YOU

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