Presentation Objectives

• Review the latest Corn & Soybean Supply/Demand and 2014-'15 Marketing Year Cash Price Outlook
• Highlight 2014 Weather Forecasts
• Discuss Pre-Harvest Marketing Strategies using Guaranteed Insurance Bushels
• Provide 5 Crop Risk Management Strategies
• Highlight the New Farm Program for Commodity Crops in 2014-'18
• Summarize with 5 Crop Risk Management Web Sites
### U.S. Corn Supply/Demand & Price

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Area Planted (million acres)</td>
<td>97.2</td>
<td>95.4</td>
<td>95.4</td>
</tr>
<tr>
<td>Area Harvested (million acres)</td>
<td>87.4</td>
<td>87.7</td>
<td>87.7</td>
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<tr>
<td>Yield per Harvested Acre (bu.)</td>
<td>123.4</td>
<td>158.8</td>
<td>158.8</td>
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<tr>
<td>Beginning Stocks (million bu.)</td>
<td>989</td>
<td>821</td>
<td>821</td>
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<tr>
<td>Production</td>
<td>13.925</td>
<td>13,925</td>
<td>13,925</td>
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<tr>
<td>Imports</td>
<td>162</td>
<td>38</td>
<td>35</td>
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<tr>
<td>Supply, Total</td>
<td>11,932</td>
<td>14,785</td>
<td>14,781</td>
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<tr>
<td>Feed &amp; Residual</td>
<td>4,333</td>
<td>5,400</td>
<td>5,300</td>
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<tr>
<td>Food, Seed &amp; Industrial</td>
<td>6,046</td>
<td>1,410</td>
<td>1,400</td>
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<tr>
<td>Ethanol &amp; by-products</td>
<td>4,648</td>
<td>5,010</td>
<td>5,000</td>
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<td>Domestic, Total</td>
<td>10,739</td>
<td>11,820</td>
<td>11,700</td>
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<td>Exports</td>
<td>731</td>
<td>1,725</td>
<td>1,750</td>
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<td>Use, Total</td>
<td>11,111</td>
<td>13,545</td>
<td>13,450</td>
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<tr>
<td>Ending Stocks</td>
<td>821</td>
<td>1,240</td>
<td>1,331</td>
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<tr>
<td>Avg. Farm Price ($/bu)</td>
<td>$6.89</td>
<td>$4.60</td>
<td>$4.60</td>
</tr>
</tbody>
</table>

Source: USDA WASDE April 10, 2014 & ISU Wisner, April 14, 2014

### Corn Cash Price & Probability Forecast

**‘14-’15 Marketing Year**

**Assumption:**
- 91.7 M Acres Planted
- 164 bu/A Nat’l Yield

<table>
<thead>
<tr>
<th>Price ($/bu)</th>
<th>Probability</th>
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</thead>
<tbody>
<tr>
<td>$6.00</td>
<td>15%</td>
</tr>
<tr>
<td>$4.25</td>
<td>64%</td>
</tr>
<tr>
<td>$4.00</td>
<td>21%</td>
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</tbody>
</table>

Source: Wisner, ISU Biofuels Economist, April 14, 2014
### 2014 U.S. Planted Acreage Forecast

![2014 U.S. Planted Acreage Forecast](image)

*Source: USDA NASS & Prospective Plantings Report, March 31, 2014*

### U.S. Soybean Supply/Demand & Price

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<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Area Planted (million acres)</td>
<td>77.2</td>
<td>76.5</td>
<td>76.5</td>
<td>81.5</td>
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<tr>
<td>Area Harvested (million acres)</td>
<td>76.2</td>
<td>75.9</td>
<td>75.9</td>
<td>80.6</td>
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<tr>
<td>Yield per Harvested Acre (bu.)</td>
<td>39.8</td>
<td>43.3</td>
<td>43.3</td>
<td>39.5</td>
</tr>
<tr>
<td>Beginning Stocks (million bu.)</td>
<td>169</td>
<td>140</td>
<td>141</td>
<td>125</td>
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<tr>
<td>Production</td>
<td>3,034</td>
<td>3,239</td>
<td>3,289</td>
<td>3,184</td>
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<tr>
<td>Imports</td>
<td>36</td>
<td>66</td>
<td>65</td>
<td>54</td>
</tr>
<tr>
<td>Supply, Total</td>
<td>3,239</td>
<td>3,495</td>
<td>3,494</td>
<td>3,495</td>
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<tr>
<td>Crushings</td>
<td>1,689</td>
<td>1,690</td>
<td>1,685</td>
<td>1,670</td>
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<tr>
<td>Exports</td>
<td>1,320</td>
<td>1,585</td>
<td>1,580</td>
<td>1,430</td>
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<tr>
<td>Seed &amp; Residual</td>
<td>90</td>
<td>95</td>
<td>95</td>
<td>110</td>
</tr>
<tr>
<td>Use, Total</td>
<td>3,099</td>
<td>3,370</td>
<td>3,360</td>
<td>3,370</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>141</td>
<td>125</td>
<td>135</td>
<td>125</td>
</tr>
<tr>
<td>Avg. Farm Price ($/bu)</td>
<td>$14.40</td>
<td>$13.60</td>
<td>$13.00</td>
<td>$14.00</td>
</tr>
</tbody>
</table>

*Source: USDA WASDE April 10, 2014 & ISU Wisner, April 14, 2014*
**Soybean Cash Price & Probability Forecast**

‘14-’15 Marketing Year

Assumption:
81.5 M Acres Planted
43.5 bu/A Nat’l Yield

$9.90/bu  
64%

$14.00/bu  
17%

$9.60/bu  
19%

**USDA Forecast Decline from Record Highs**

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<tbody>
<tr>
<td>Wheat</td>
<td>6.78</td>
<td>4.87</td>
<td>5.70</td>
<td>7.24</td>
<td>7.77</td>
<td>6.80</td>
<td>5.30</td>
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<tr>
<td>Corn</td>
<td>4.06</td>
<td>3.55</td>
<td>5.18</td>
<td>6.22</td>
<td>6.89</td>
<td>4.50</td>
<td>3.90</td>
</tr>
<tr>
<td>Cotton</td>
<td>47.80</td>
<td>62.90</td>
<td>81.50</td>
<td><strong>88.30</strong></td>
<td>72.50</td>
<td>76.00</td>
<td>68.00</td>
</tr>
<tr>
<td>Rice</td>
<td>16.80</td>
<td>14.40</td>
<td>12.70</td>
<td>14.50</td>
<td>14.90</td>
<td>16.00</td>
<td>15.90</td>
</tr>
</tbody>
</table>

Wheat, corn and soybeans in dollars per bushel; rice in dollars per hundredweight; cotton in cents per pound. Numbers in green denote record levels.

Source: USDA NASS, WASDE and World Outlook Board, February 20, 2014
El Niño (ENSO) Neutral until Spring


Spring/Summer Forecast:
"ENSO-neutral conditions are expected to continue through the spring of 2014, followed by a 50% chance of El Niño developing during the summer or fall. “I am more 'bullish' on El Niño development in 2014, even more so than last month,” states Dr. Klaus Wolter, NOAA, University of Colorado. April 8, 2014

Elwynn Taylor’s 2014 Risk Wheel

Source: Taylor, ISU Extension Climatologist. April 2014

- La Niña Summer = 70% risk of below trendline corn yield
- Neutral Summer = 53% risk of above trendline corn yield
- El Niño Summer = 70% risk of above trendline corn yield
Marketing Revenue Protection (RP) Guaranteed Insurance Bushels

Delivery of Corn Bushels with Revenue Protection (RP)

**Marketing Strategy**

- **Pre-Harvest Sell for Delivery** up to 153 Bu/A
- **Price Guarantee is Higher of the Projected Price vs. Harvest Price**
- **Slight Basis Risk**
- **Must Plant the Crop** (Prevented Planting = 60%)

**Actual Production History (APH)**

- 180 Bu/A
- Deductible 15% = 27 Bu/A
- RP @ 85% Level of Coverage
  - 153 Bu/A Guarantee
  - $4.62/bu Projected Price
  - $707/A Revenue Guarantee

**Source:** Johnson, ISU Extension, February 2014

**Source:** Johnson, ISU Extension, March 2014
New Crop ‘14 Corn Futures Chart

Corn Projected Price = $4.62/bu

Source: www.futuresource.com, April 3, 2014

New Crop ‘14 Soybean Futures Chart

Soybean Projected Price = $11.36/bu

Source: www.futuresource.com, April 10, 2014
Crop Risk Management Strategies

Enrollment in the New Commodity Crop Farm Program for 2014-18 (ARC or PLC)

With Improved 2014 Corn Belt Weather, Large Crop Potential Exists

Expect Futures Price Volatility; Use Crop Revenue Protection (RP) Insurance

With Lower Crop Prices & Large Supplies; Storage Issues & Unpriced Grain come Fall

Use Pre-Harvest Market Strategies; Forward Contracts, Hedges & Purchase Put Options

Source: Johnson, ISU Extension, April 2014

Farm Bill Funding (FY 2014 to FY 2018)

Nutrition 80%
Commodities 5%
Crop Insurance 8%
Conservation 6%
Other 1%

Total Outlays $489 Billion

**New Farm Programs**

**Implementation Timeline Forecast**

- **Agricultural Act of 2014**
- **Conservation Programs (EQIP & CSP)**
- **Livestock Disaster Assistance Program**
- **Commodity Crop Rules and Regulations Released**
- **Commodity Crop Program Education**
- **Conservation Compliance**
- **SCO Product Spring-Seeded Crops**
- **Commodity Crop Program Sign-up**

**Timeline Events**
- **Spring Seeded Crops – Crop Insurance Closing Date (March 15)**

**Source:** USDA and Other Ag Media Resources, April 2014

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**New 5-Year Farm Program (2014-2018)**

- **Crop Insurance Agent**
- **SCO (Supplemental Coverage Option)**
- **CROP INSURANCE**
- **ARC (Agriculture Risk Coverage)**
- **PLC (Price Loss Coverage)**

**Marketing Loan National Rates:**
- $1.95/bu Corn
- $5.00/bu Soybeans

**Source:** The Agricultural Act of 2014, February 2014
Solving the ARC PLC Enrollment Puzzle

Crop Risk Management Web Sites

- **Crop Risk Management - ISU Polk County**
  (Farmland Owners Newsletter, Webcasts and Videos, Updates on Crop Marketing Strategies, Government Farm Programs & Farmland Leasing)
  [www.extension.iastate.edu/polk/farm-management](http://www.extension.iastate.edu/polk/farm-management)

- **Farm Doc – U of IL Extension Economics**
  (Daily e-Newsletter, FAST Tools, Newsletters, Publications)
  [www.farmdoc.illinois.edu](http://www.farmdoc.illinois.edu)

- **Ag Manager – Kansas State Extension Economics**
  [www.agmanager.info](http://www.agmanager.info)

- **Ag Risk & Farm Management Library**
  [www.agrisk.umn.edu](http://www.agrisk.umn.edu)

- **Ag Decision Maker – ISU Extension**
  (Iowa Commodity Challenge Curriculum, Monthly e-Newsletter, Decision Tools, Newsletters, Publications, Voiced Media)
  [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)