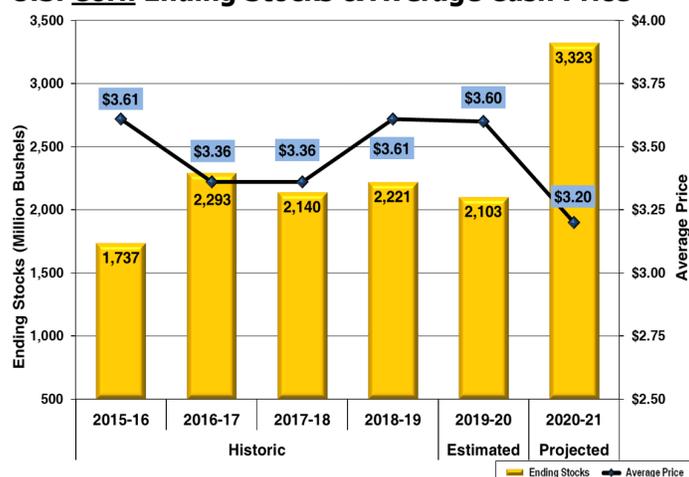


Crop Marketing STRATEGIES

2020 New Crop Corn Sales: A Revenue-Based Marketing Plan

The June 11 USDA WASDE report forecasts a record U.S. corn crop in 2020 of nearly 16 billion bushels. Those projections include 97 million acres planted with an average yield of 178.5 bushels per acre. Total use would be 14.8 billion bushels, and the U.S. ending stocks would grow to 3.323 billion bushels come Sept. 1, 2021. National average cash corn prices would decline from \$3.60 per bushel to \$3.20 per bushel for the 2020-'21 marketing year.

U.S. Corn Ending Stocks & Average Cash Price



Source: USDA WASDE Report, June 11, 2020

If record 2020 corn production occurs, expect futures prices to decline, basis to weaken, and storage and drying capacity to be challenged come harvest. December corn futures prices could fall to the \$3 per bushel level. Futures carry would likely build to roughly \$.35 per bushel or more comparing the December '20 to the July '21 corn futures contracts.

Revenue-Based Marketing Plan

Unfortunately, most farmers currently have only futures price objectives to drive their 2020 crop marketing plan. The limitation of most of these plans is the need to trigger new crop sales when December corn futures trades to say, the \$3.50 to \$3.70 per bushel range. Those price levels might not be reached before harvest without a significant weather threat that could impact yield.

What if your new crop corn marketing plan was based on total crop revenue rather than just a futures price received minus the local basis? As an example, let's use a gross crop revenue goal of say \$750 per acre for corn. A secondary goal might be to trigger new-crop cash sales when you can get at least \$.20 per bushel above your estimated breakeven price.

Start with these three steps in determining your corn profitability potential.

1. Estimate your 2020 cost of production
2. Consider the federal government payments to be received for corn
3. Calculate your breakeven price using various corn yield estimates

Cost of Production & Government Payments

Good records are critical to knowing your crop cost estimates. For example purposes, we'll use the [Iowa State University Estimated Costs of Crop Production in Iowa 2020 File A1-20](#). Total non-land costs using the medium yield level for the corn following soybeans crop rotation is

\$420 per acre appears in the table below. The Cash Rent Equivalent of \$222 per acre reflects the 2020 statewide average cash rent found in the [Cash Rental Rates for Iowa 2020 Survey File C2-10](#).

The federal government payments to be received include the average Price Loss Coverage (PLC) payment for 2020 corn. It was calculated using the \$3.20 per bushel average cash price projected subtracted from the \$3.70 per bushel effective reference price. Multiply this difference times 85% of base acres. A new PLC yield estimate of 160 bu/A was used. That payment would be approximately \$65 per acre and received in October 2021. The Coronavirus Food Assistance Program (CFAP) payment for corn currently being made is an estimated statewide average of \$30/A.

of June 14, the USDA NASS Crop Progress & Condition report indicated that the Iowa corn condition is rated 83% Good to Excellent. That's a relatively high crop rating for mid-June. The state's topsoil and subsoil moisture levels were rated at 93% and 96% adequate to surplus, respectively.

Breakeven Prices

The estimated costs of corn production for both non-land and cash rent equivalent totaled \$642 per acre. This amount was divided by yield estimates that increased by 7½% and 15% above the average of 198 bu/A. With good 2020 final corn yield prospects, the following yields estimates and breakeven prices were used as an example:

Average Yield = 198 bu/A = \$3.24/bu.
 Above Avg. Yield = 213 bu/A = \$3.01/bu.
 High Yield = 228 bu/A = \$2.81/bu.

Conclusion

Consider using a revenue-based marketing plan. With good 2020 yield prospects, lower breakeven prices are likely. Think about making new crop corn sales in June and early July while a futures price premium exists and before the potential harvest basis widens. A tool such as a cash forward contract could lock-in both futures price and a local basis. A contract for a late September delivery to a processor might provide even better basis opportunities.

Now, determine your corn yield estimates and breakeven prices. Also, consider your cash flow needs this fall and winter and limitations of on-farm storage capacity. Sell those extra bushels you can't store on-farm. You might want to avoid lots of unpriced bushels in commercial storage where you'll face additional drying, shrink, and storage costs. When it's time to sell those commercially-stored bushels, you'll be limited to the basis offered at that facility.

Iowa Average Corn Costs & Returns



Corn Following Soybeans (2020 Crop Year)

	Avg. Yield	Above Avg. Yld	High Yield
Yield per acre	198	213	228
Price per bushel	\$3.20	\$3.20	\$3.20
Crop revenue	\$633.60	\$681.60	\$729.60
ARC/PLC	\$65.00	\$65.00	\$65.00
MFP/CFAP	\$30.00	\$30.00	\$30.00
Crop insurance	\$0.00	\$0.00	\$0.00
Gross revenue	\$728.60	\$776.60	\$824.60
Total non-land costs	\$420.00	\$420.00	\$420.00
Cash Rent Equivalent	\$222.00	\$222.00	\$222.00
Net Return to Farmer	\$86.60	\$134.60	\$182.60
Breakeven Price (\$ per bu.)	\$3.24	\$3.01	\$2.81

Source: Johnson, ISU Extension, June 15, 2020

Yield Prospects & Breakeven Prices

The 2020 corn yield used was 198 bu/A, the statewide trendline yield average. The final yield could prove higher with the right crop growing conditions. The Iowa corn crop was planted approximately two weeks earlier than usual. As