



Managing Crop Revenue **& MARGIN RISKS**

March 18th, 2024

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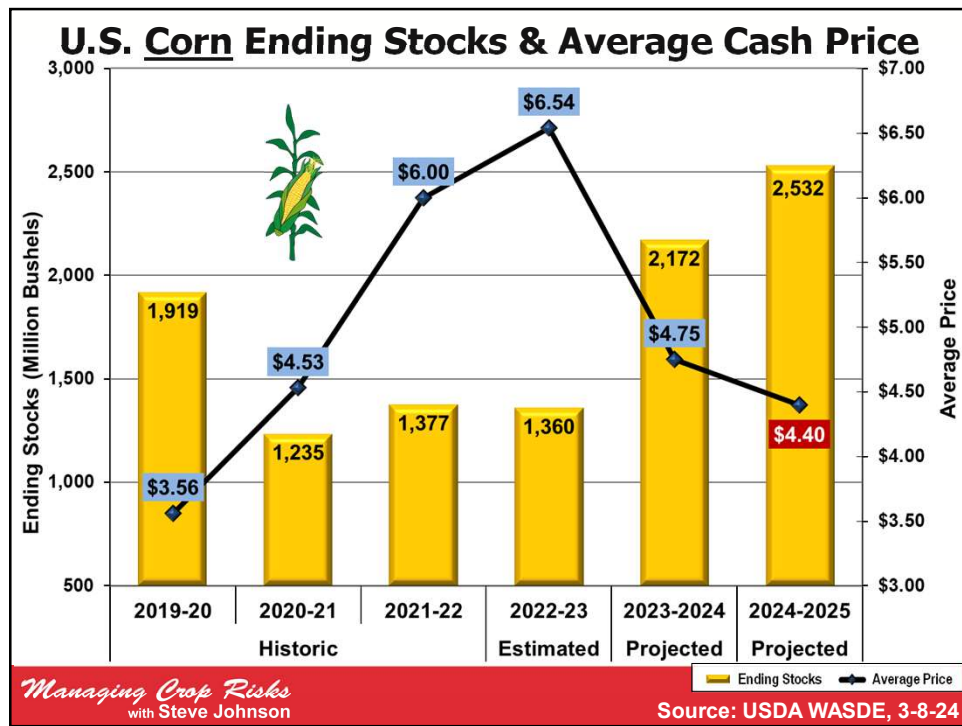
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Topics of Discussion

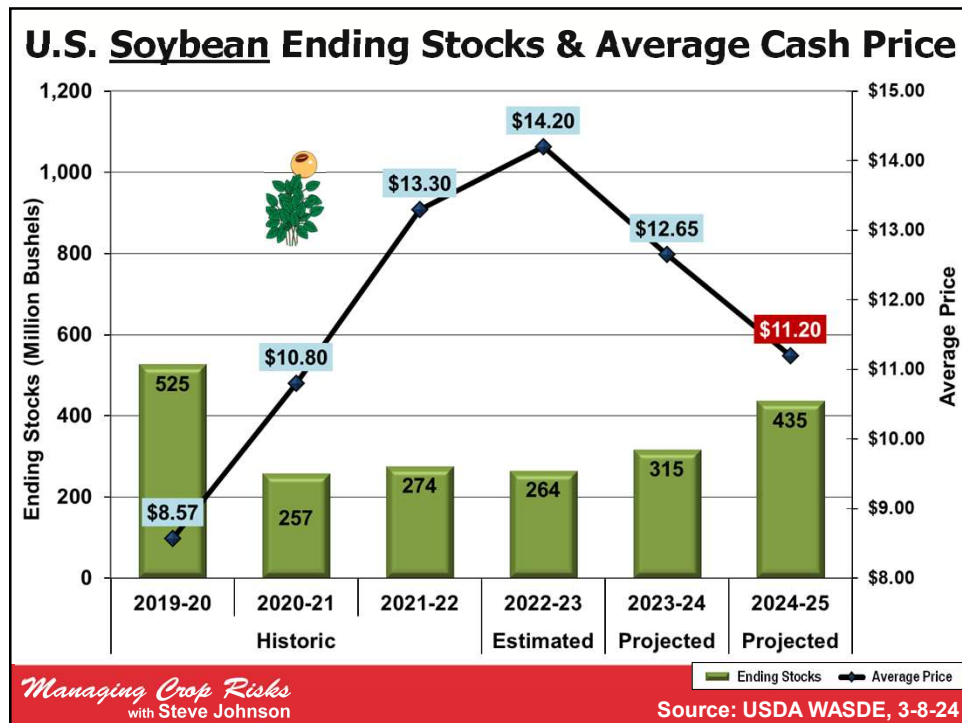
- Discuss USDA Cash Price & Net Farm Income Projections
- Highlight '24 Planted Acres Forecast, Current Soil Moisture & Growing Season Weather Models
- Discuss Farmer Returns & Net Farm Income
- Highlight Farm Program Safety Nets & Understand '24 Crop Insurance Decisions
- Consider Pre-Harvest Marketing Strategies & Trends for Seasonal Futures Prices
- Develop Example '24 Crop Futures Price & Time Targets
- Provide Crop Risk Management Web Sites

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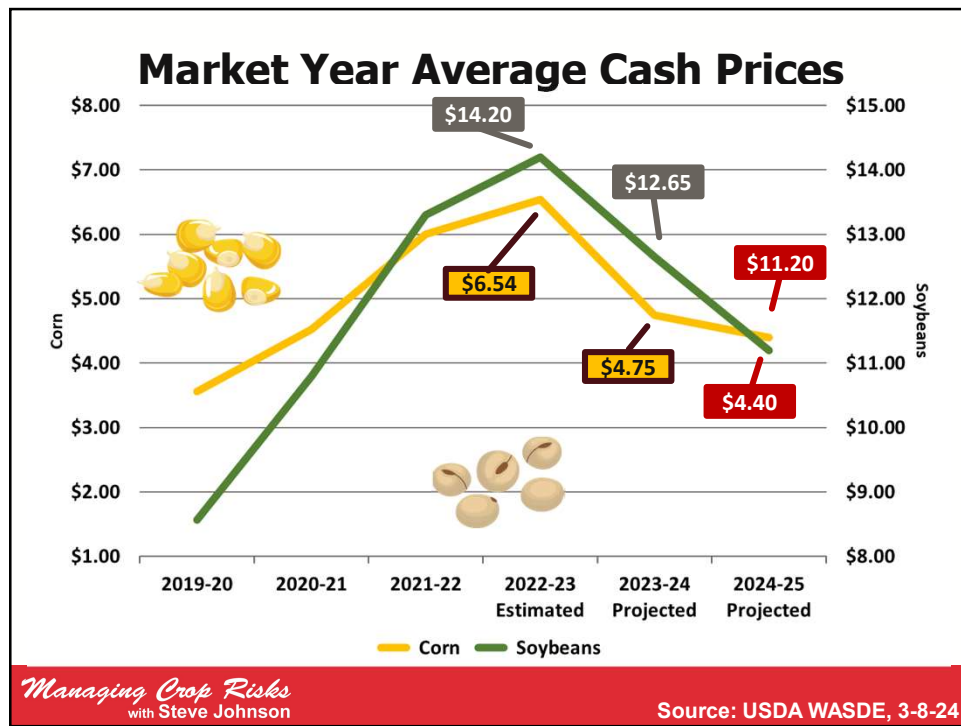
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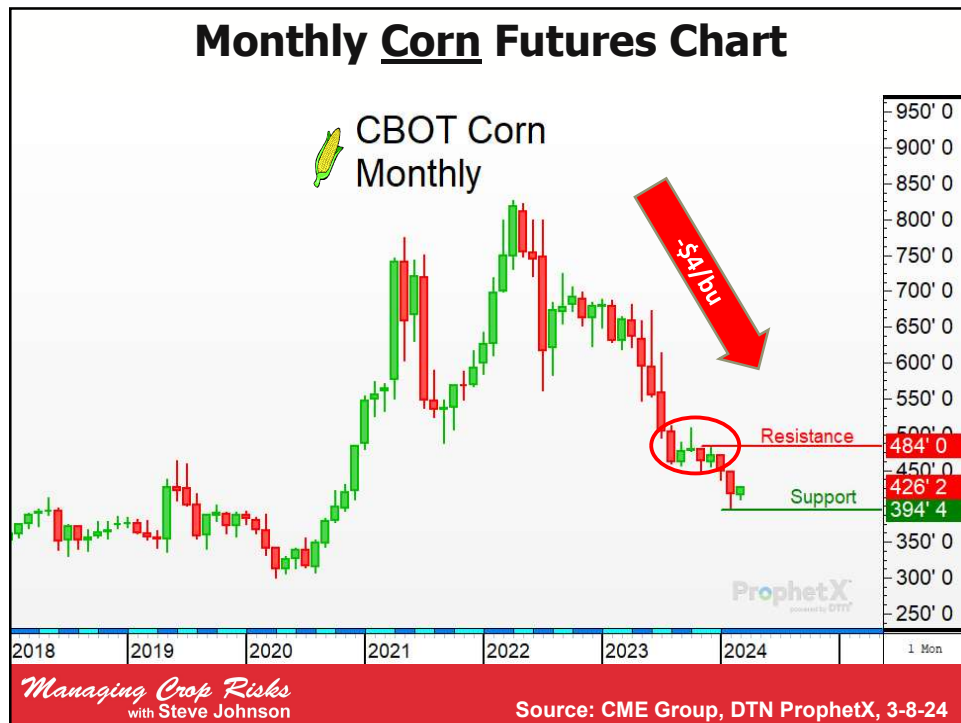
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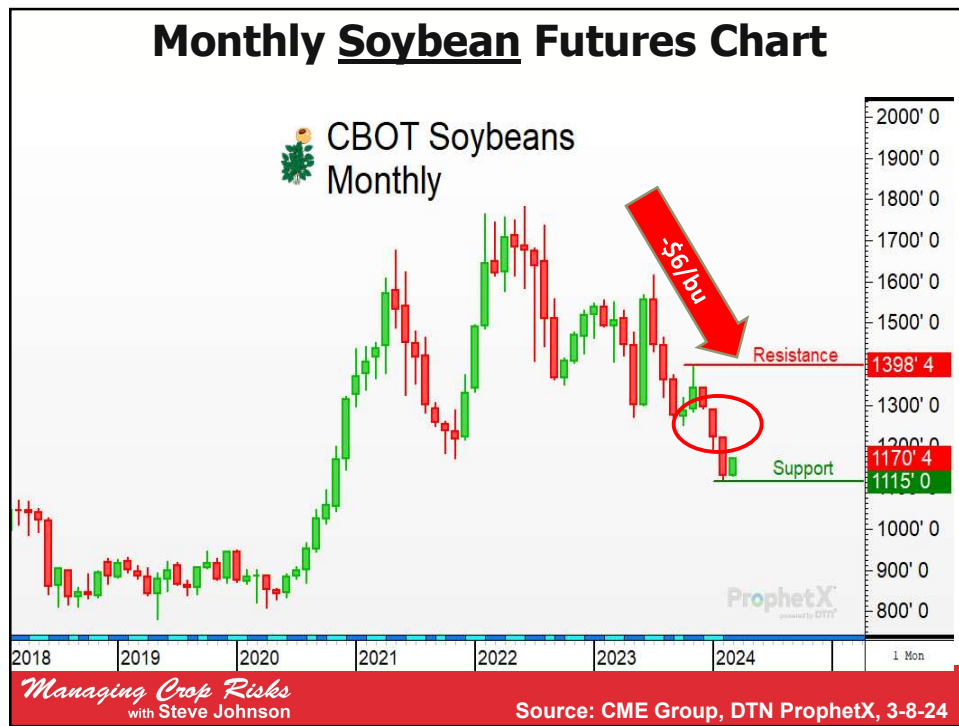
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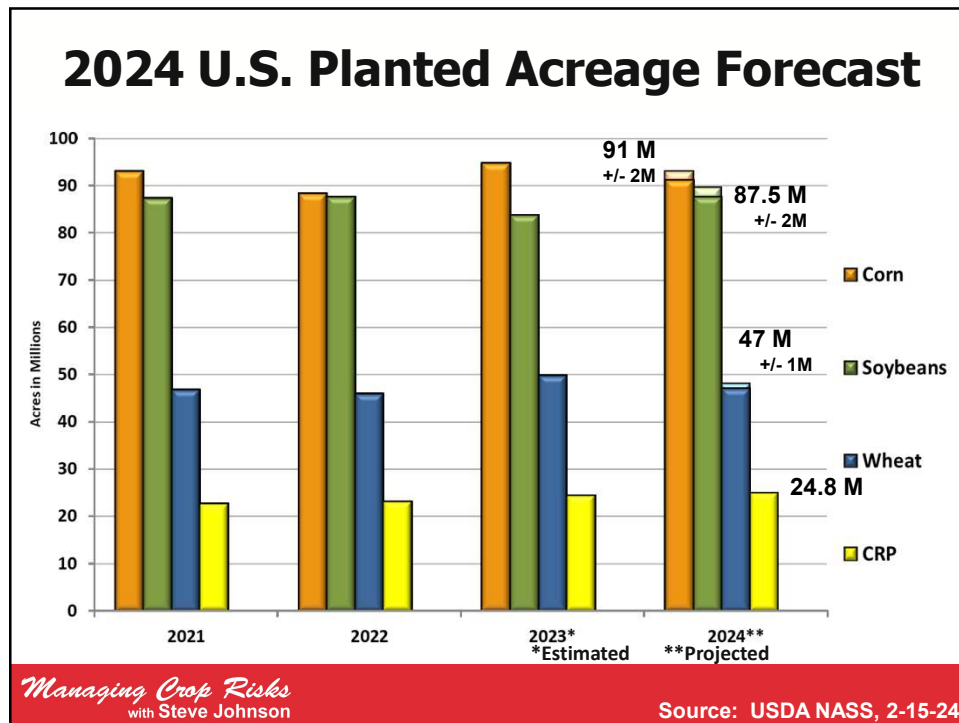
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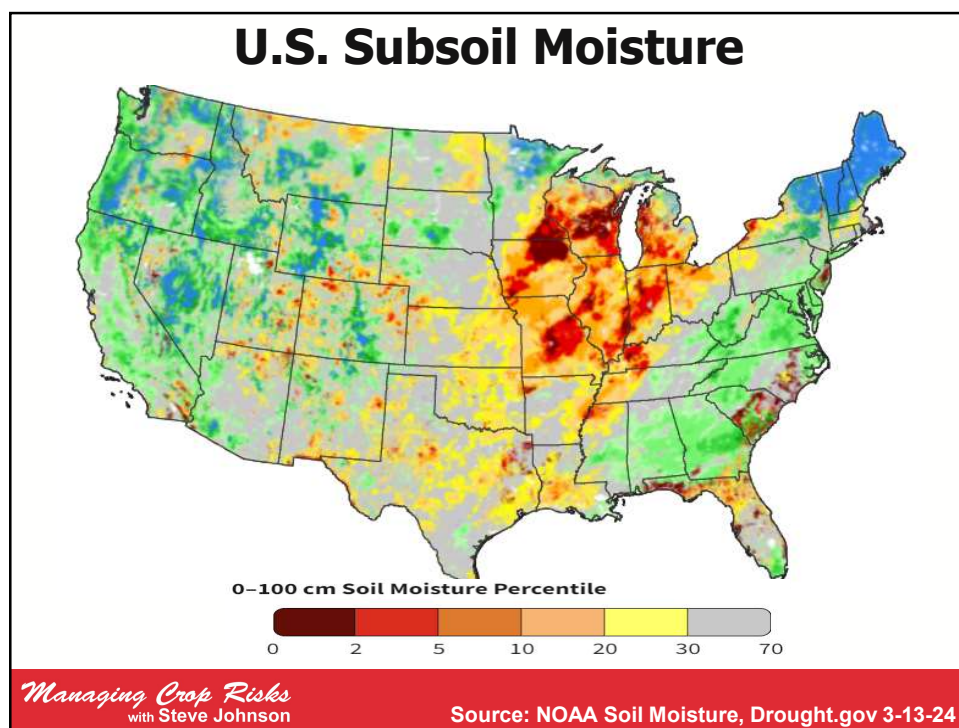
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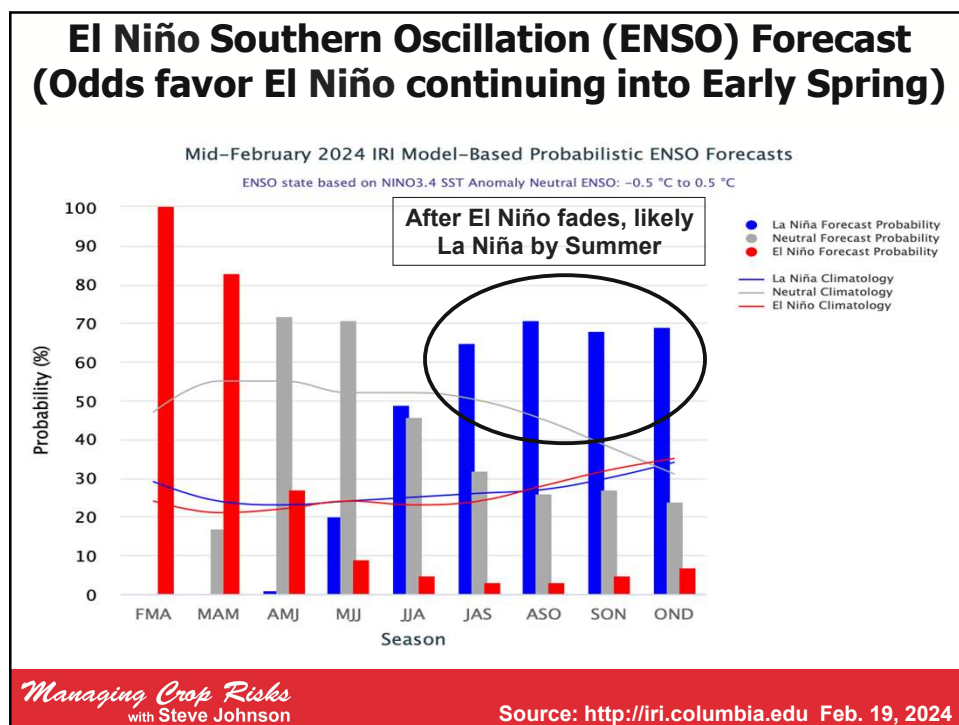
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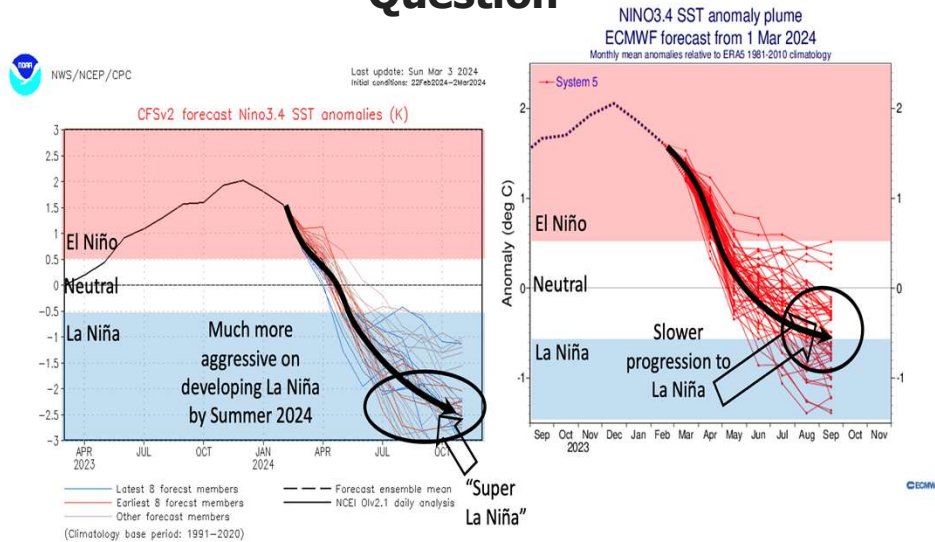


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Timing of El Niño to La Niña Transition in Question

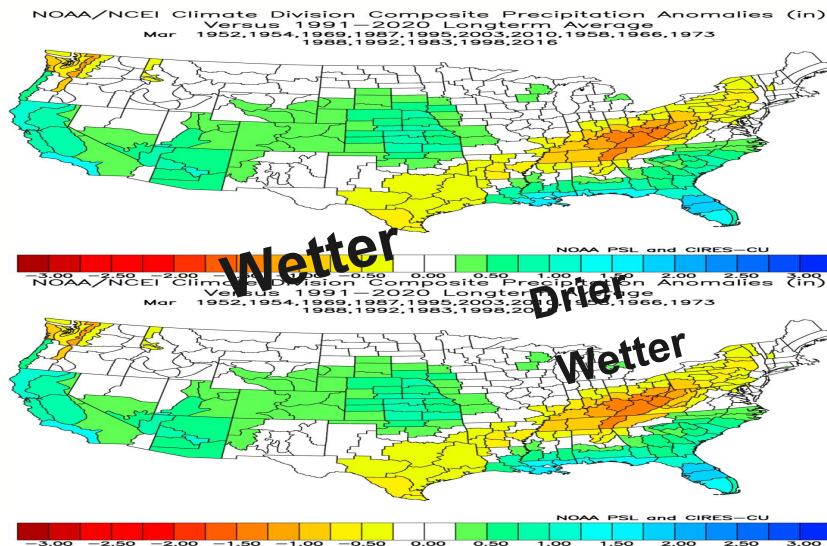


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Source: Snodgrass, Nutrien, March 6, 2024

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El Niño to La Niña Transition Analog Years (Month of March)



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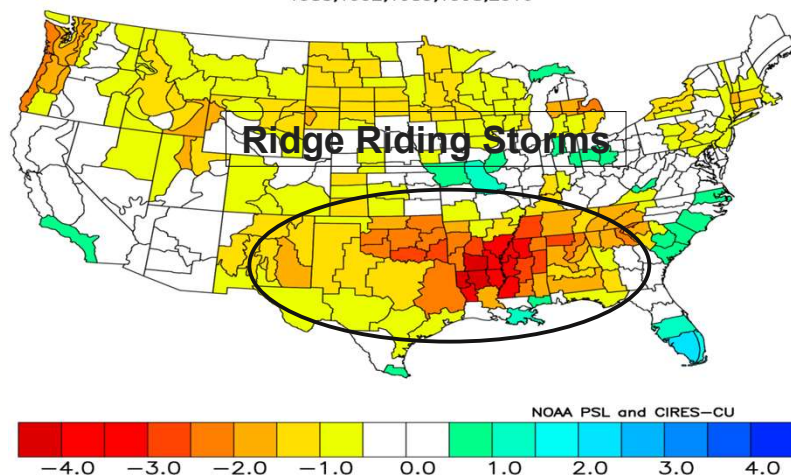
Source: Snodgrass, Nutrien, March 6, 2024

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El Niño to La Niña Transition Analog Years (April through October)

NOAA/NCEI Climate Division Composite Precipitation Anomalies (in)
Versus 1971–2000 Longterm Average

Apr to Oct 1952,1954,1969,1987,1995,2003,2010,1958,1966,1973
1988,1992,1983,1998,2016



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Source: Snodgrass, Nutrien, March 6, 2024

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Corn and Soybean Costs & Returns

Central Illinois, Low Productivity	Corn		Soybeans	
	2023P	2024P	2023P	2024P
Yield per Acre	214	214	67	67
Price per Bu	\$4.80	\$4.50	\$12.80	\$11.50
Crop Revenue	\$1,037	\$963	\$858	\$771
Direct Costs	\$523	\$513	\$250	\$244
Power Costs	\$199	\$191	\$171	\$165
Overhead	\$102	\$102	\$89	\$89
Total Non-Land Costs	\$824	\$806	\$510	\$498
Operator & Land Return	\$213	\$157	\$348	\$273
Cash Rent	\$292	\$292	\$292	\$292
Farmer Return	-\$79	-\$135	\$56	-\$19

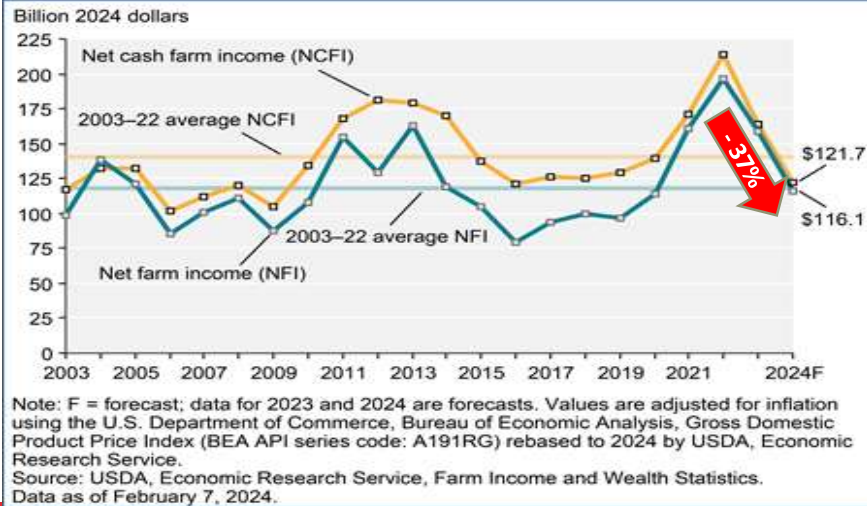
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Source: Paulson & Schnitkey, U of IL FarmDoc, Jan. 9, 2024

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ERS '24 Net Farm Income Projection

U.S. net farm income and net cash farm income, inflation adjusted, 2003–24F



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Source: USDA Economic Research Service, Feb. 7, 2024

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Manage the Profit Margin Squeeze

#1: Book and/or Prepaid '24 Crop Inputs

Seed, Crop Protection, Fertilizer & Fuel

Year-end '23 IncomeTax Year Strategies

Payoff '23 Operating Loans, Reduce Interest Costs

#2: Soil Test and provide P & K Maintenance

#3: Split N Application (Fall applied NH₃)

#4: Reduced Tillage (No-Till, Strip Tillage, etc.)

#5: Flexible Cash Leases or Pay a '24 Crop Bonus

#6: Use Futures Seasonals to Pre-harvest Market the Majority of '24 Crop Bushels

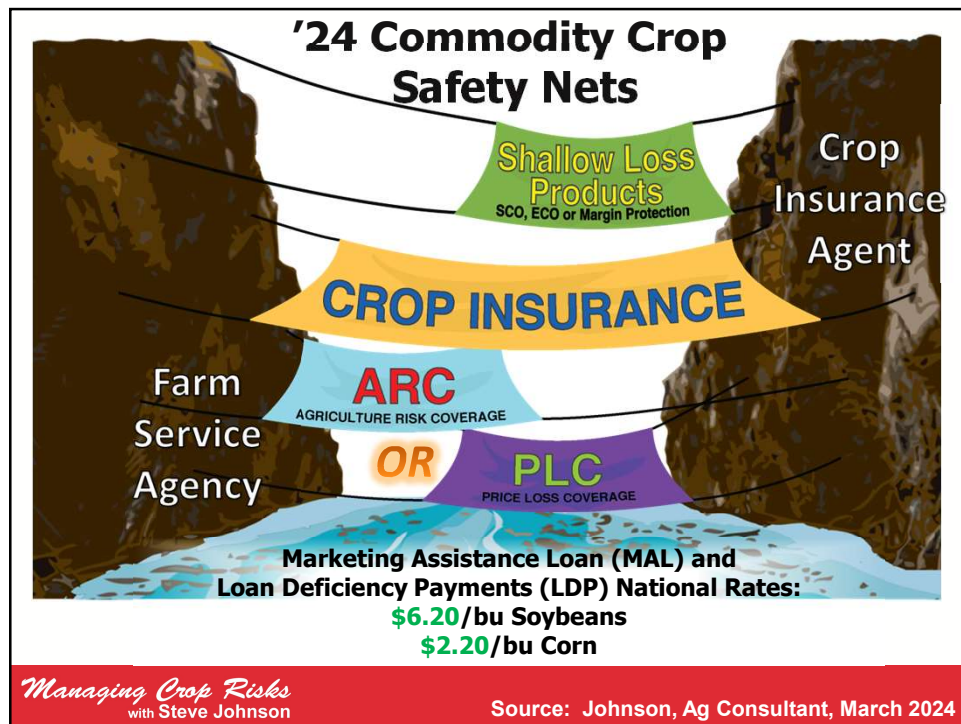
#7: Leverage '24 Crop Insurance Decisions & Consider adding Shallow Loss Products



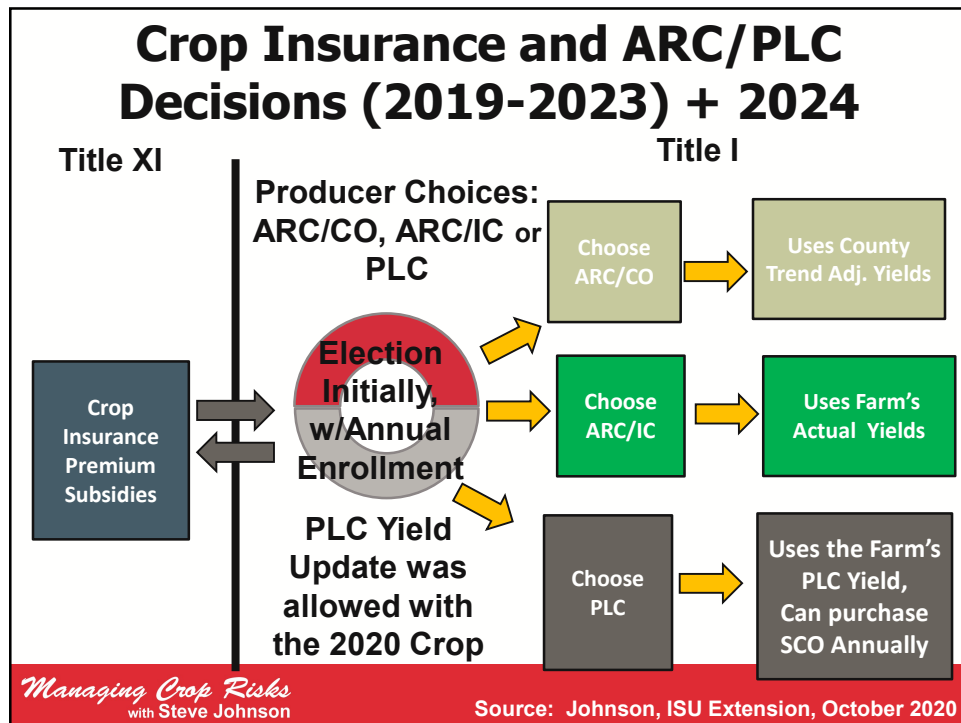
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Source: Johnson, Ag Consultant, March 2024

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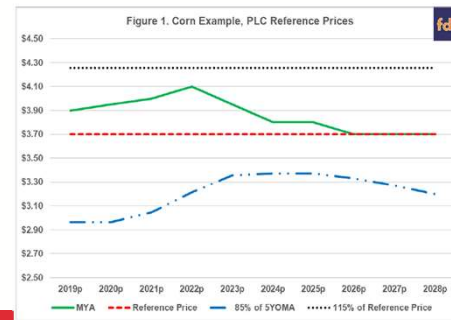
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Reference Price “Escalator” for ARC and PLC

- PLC payments will receive an effective price:
Effective Reference Price (ERP)
- ERP = Higher of Statutory Reference Price and 85% of the 5-year Olympic average price, up to a statutory reference price of 115%
- ARC: ERP used as plug price for calculation of 5-year Olympic avg. price



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Source: Coppess, IL Farm Doc Daily, Dec. 12, 2018

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PLC Effective Reference Prices

<u>CROP</u>	<u>'18 thru '23 ERP PRICES</u>	<u>'24 ERP PRICES</u>
Corn	\$3.70	\$4.01
Soybeans	\$8.40	\$9.26
Wheat	\$5.50	\$5.50

ARC '24 Crop Benchmark Prices* (5-Year Olympic Avg.)

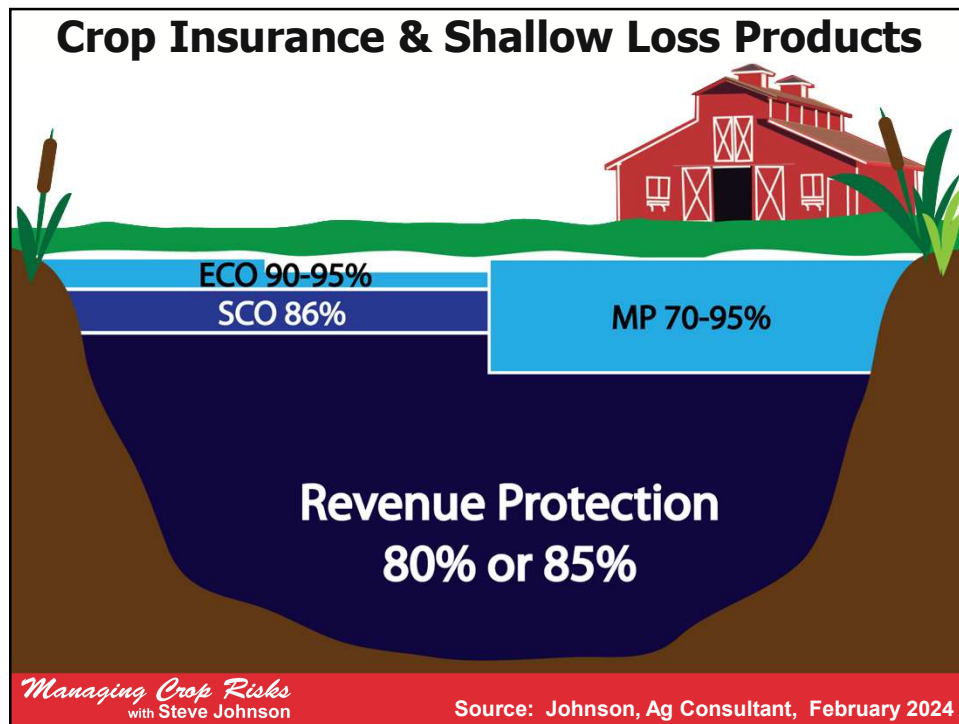
<u>CROP</u>	<u>BENCHMARK PRICES (2018 to '22)</u>
Corn	\$4.85
Soybeans	\$11.12
Wheat	\$6.21

*Remember both ARC Benchmark Prices and Trend-adjusted County Yields use Olympic Averages and can vary annually.

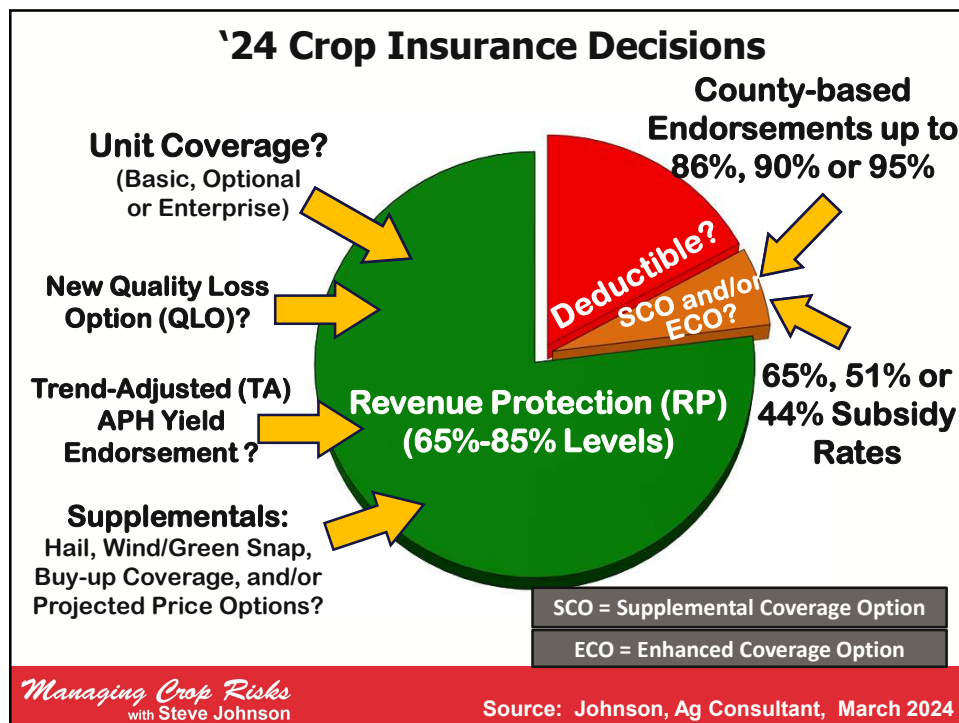
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Source: USDA FSA ARC/PLC Program Data Jan. 2, 2024

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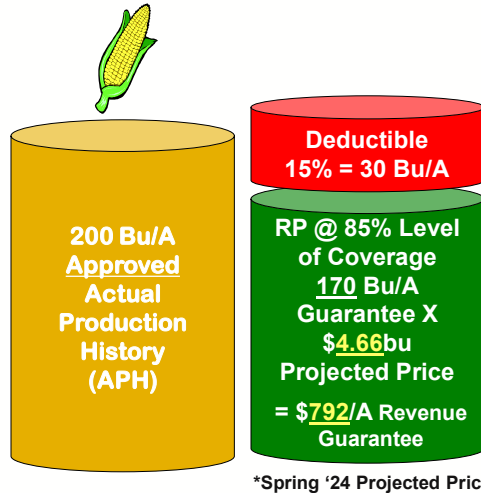


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Pre-Harvest Marketing Corn Bushels with Revenue Protection (RP) Crop Insurance



Marketing Strategy

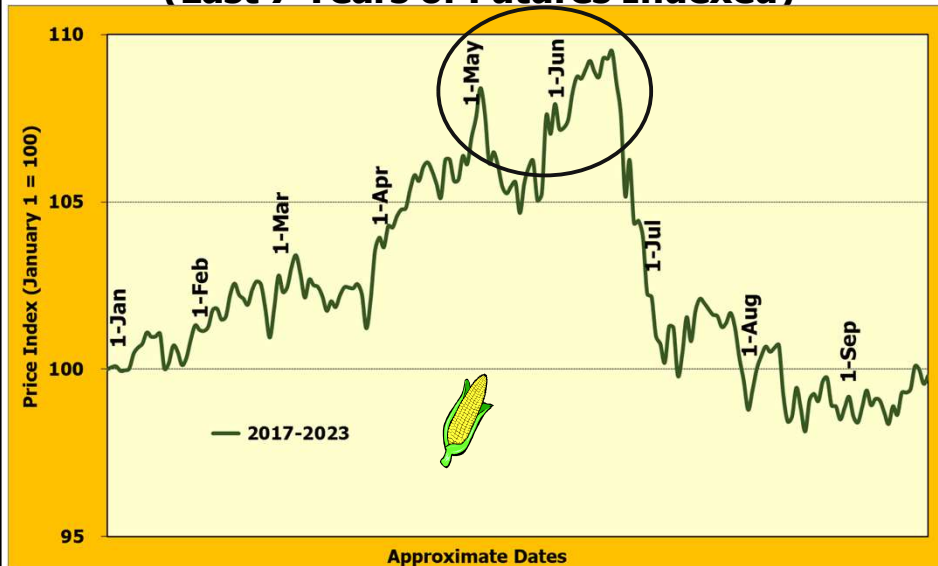
- Pre-Harvest Sell for Delivery up to 170 Bu/A
 - Forward Cash, HTAs
- Non-Delivery Bushels
 - Hedges & Options
- Price Guarantee is Higher of the Projected Price vs. Harvest Price
- Slight Basis Risk
- Must Plant the Crop
(Prevented Planting = 55%)

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Source: Johnson, Ag Consultant, March 2024

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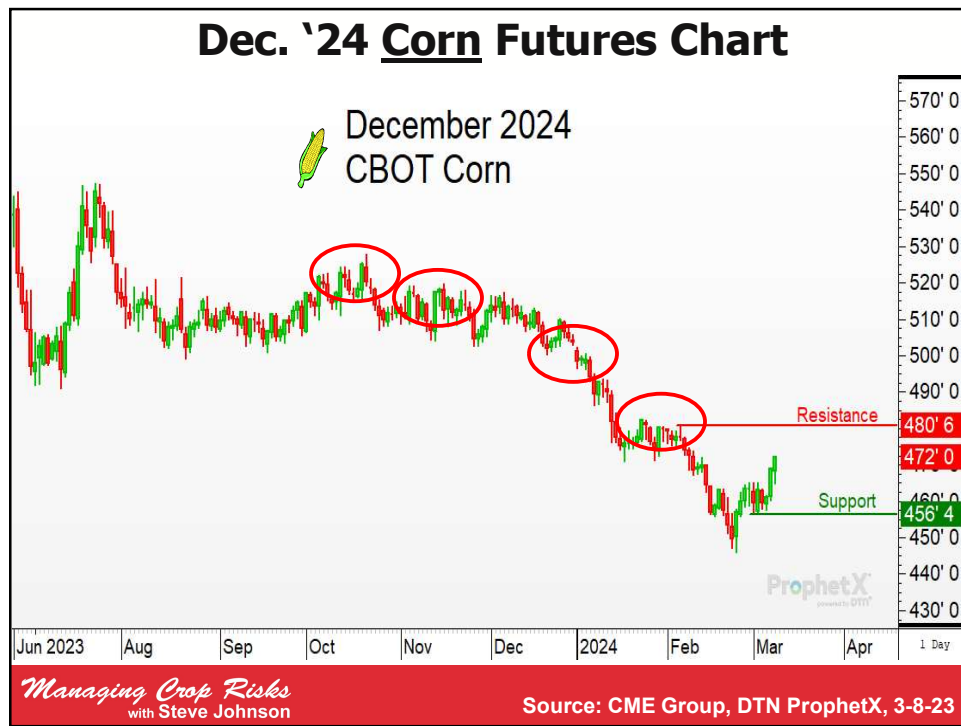
December Corn Seasonal Trends (Last 7 Years of Futures Indexed)



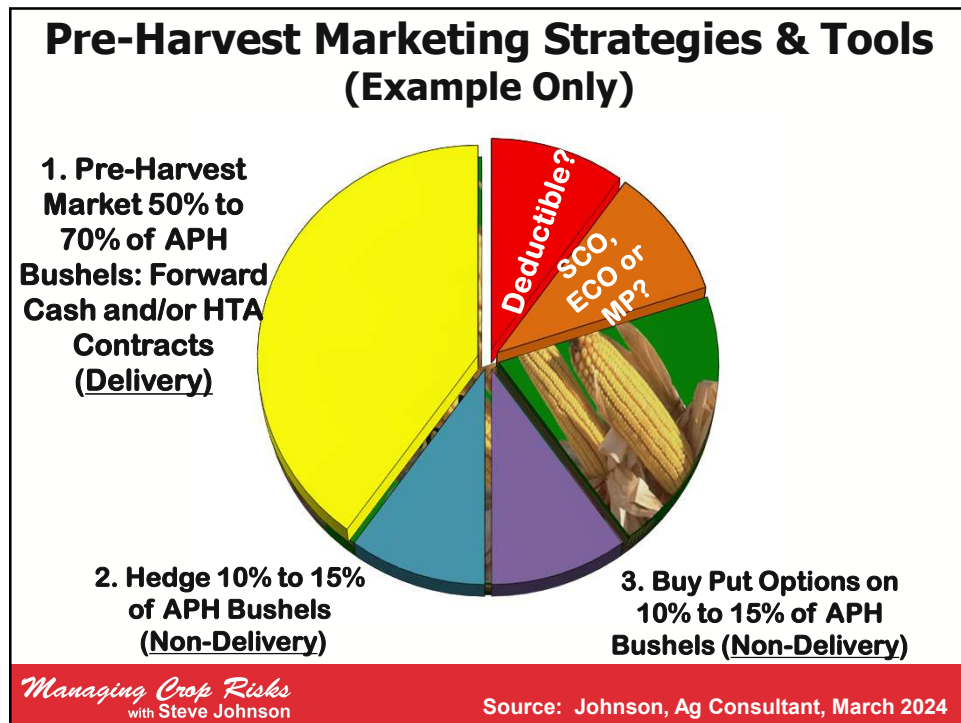
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Source: CME Group, September 2023

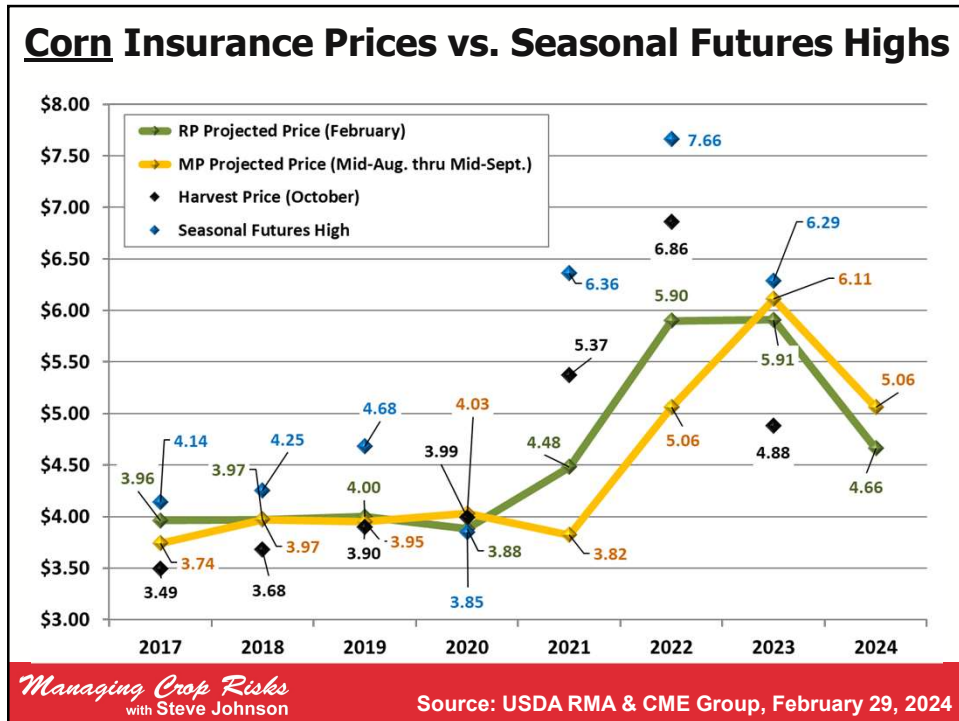
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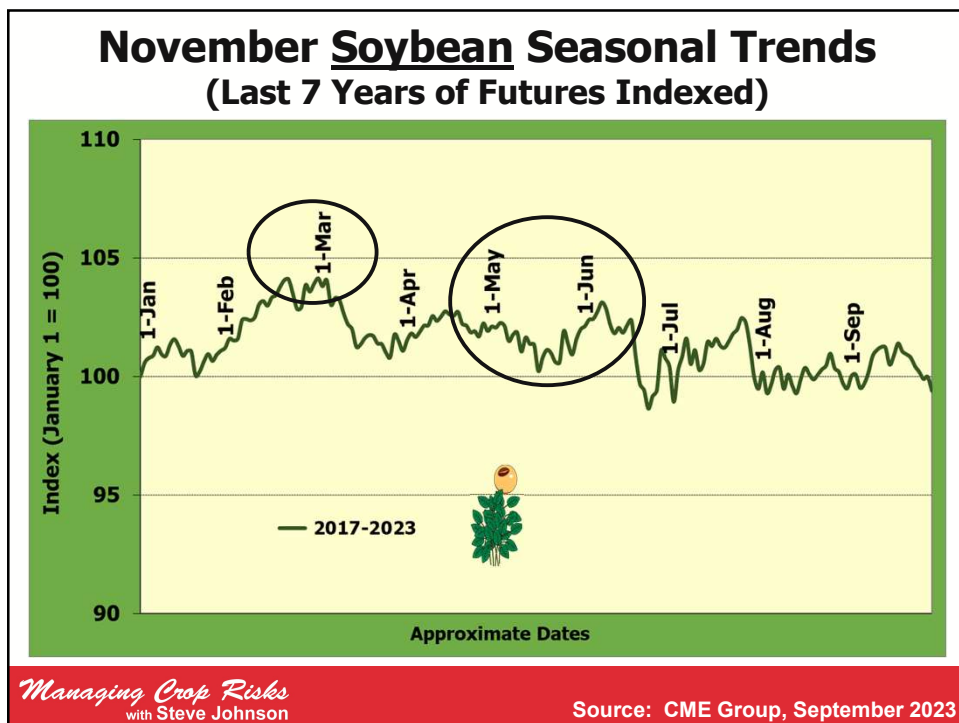
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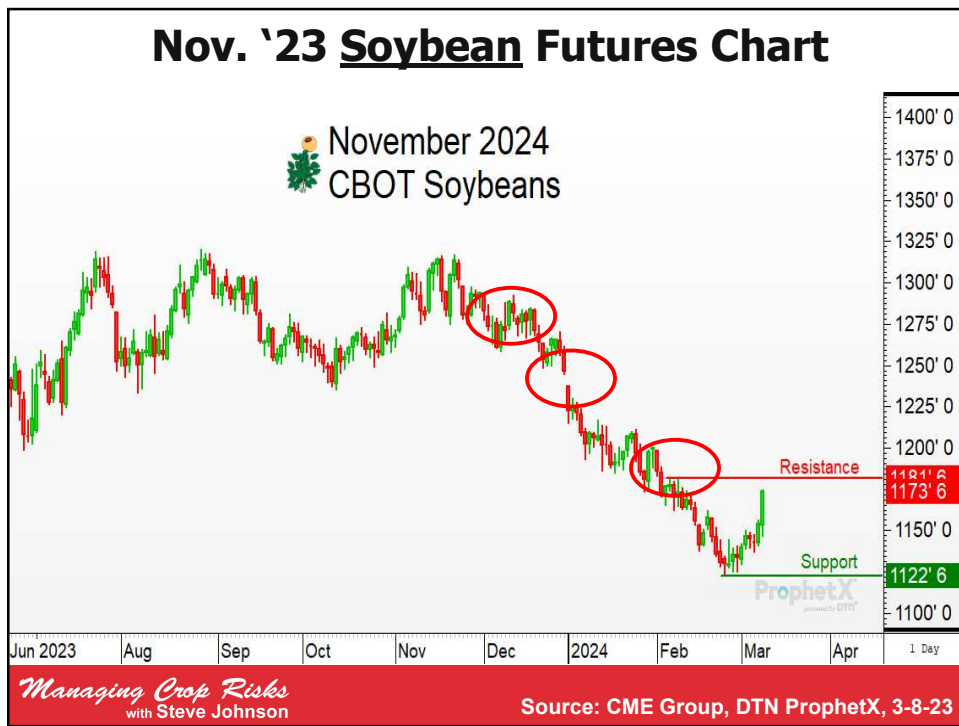
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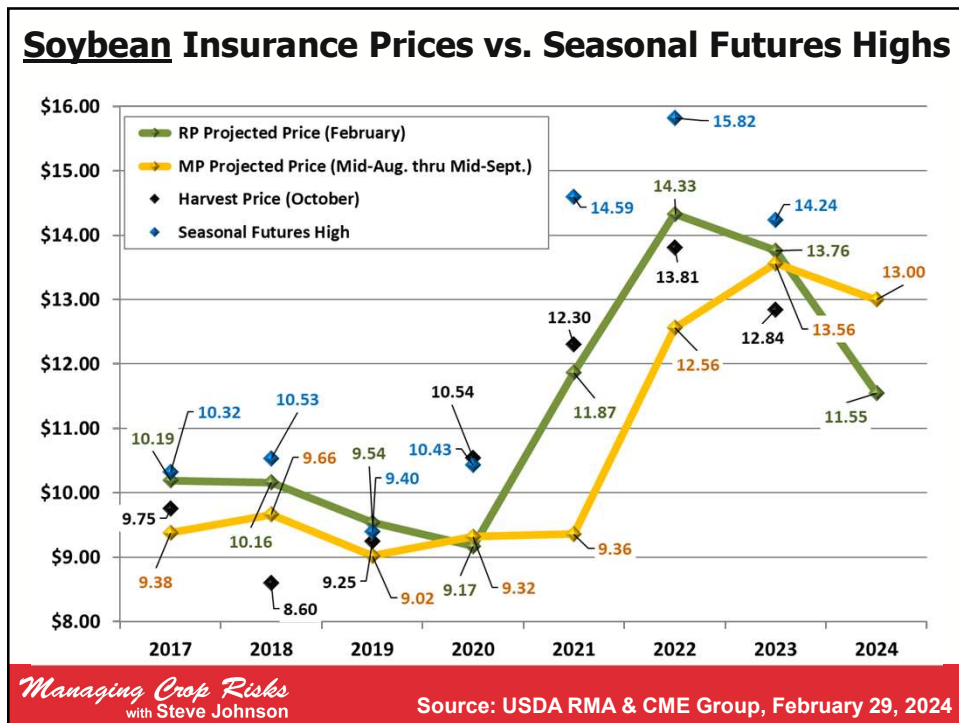
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'24 Crop Pre-Harvest Marketing Plans

• Corn

- Currently 20% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Dec. '24 Corn Futures hit \$4.80/bu, \$5.05/bu, \$5.20/bu, \$5.35/bu
- Spring Sales: Get up to 80% of Approved APH bushels sold by Price or Date; April 15, May 15 & 31 & June 14.

• Soybeans

- Currently 20% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Nov. '24 Soybeans Futures hit \$11.95/bu, \$12.40/bu, \$12.68/bu, \$12.89/bu
- Spring Sales: Get up to 80% of Approved APH bushels sold by Price or Date; May 15 & 31, June 14 & 28.

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Crop Risk Management Web Sites

- ISU Extension - Ag Decision Maker (Monthly e-newsletter, Webinars, Videos, Farm Outlook, Information Files, Decision Tools, Iowa Commodity Challenge, ARC/PLC Information with Iowa Payment Estimator)
www.extension.iastate.edu/agdm
- U of Illinois Extension - Farm Doc (Daily e-Newsletter, FAST Tools, Publications, Webinars, Podcasts, Crop Insurance Premium Comparison, Farm Bill & ARC/PLC Payment "What If" Tool)
www.farmdoc.illinois.edu
- International Institute for Climate and Society www.iri.columbia.edu
- Nutrien Ag Solutions Weather Maps & Eric Snodgrass YouTube Videos Weekdays
<https://ag-wx.com>
- NOAA, Climate Prediction Center & National Weather Service
<https://www.cpc.ncep.noaa.gov/products/predictions>

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