

Record Demand Forecasts from USDA

Most people were looking at the July S&D Report to see how big production estimates would be from USDA as they inserted the June 30 acres into their tables. Indeed, all 6 crops on the top/right table saw increased production, with wheat, cotton, & rice also getting yield bumps from USDA. But to me the big stories remain USDA's projection for record demand for corn & soybeans in the year ahead.

Corn 14.200 billion bushels
 (previous record 13.748 billion in 2014-15)

Soybeans 3.970 billion bushels
 (previous record 3.861 billion in 2014-15)

Crops like wheat & cotton have had larger demand years, but this year's projection is still the largest in a few. USDA projects wheat feeding at 300 mln bu this year, up from 132 mln last year!

Wheat exports still aren't historically large, but are projected to be the largest in 3 years despite HUGE world supplies. USDA bumped both old crop & new crop **cotton** exports in today's report, dropping both year's stocks despite a 1 million bale increase in 2016 production! So while production estimates are very large for all US crops *at this time*, strong demand can help moderate prices.

At the world level, USDA made these significant changes:

Decreased Brazil corn production 7.5 mmt,
 Increased Argentina corn production 1.0 mmt,
 Decreased Brazil soybean production 0.5 mmt,
 Increased FSU wheat production 2.1 mmt,
 Decreased EU wheat production 1.0 mmt,
 Increased China wheat feeding 5.5 mmt,
 Increased EU wheat feeding 1.5 mmt,
 Decreased Pakistan cotton production 1.0 mmt,
 Decreased India cotton production 0.5 mmt.

The bottom line is that world corn & wheat stocks are expected to rise this year, while world soybean & cotton stocks are expected to drop.

This is a strong indicator that corn & wheat prices should continue to struggle going forward, but soybean & cotton prices should have some support moving ahead.

USDA did make a few changes to the Market Year Average price estimates. For '15-16, they lowered corn 5 cents to \$3.65, which will come into play for many for ARC or PLC payments. This market year ends August 31. USDA set the final '15-16

2016 US Production					
(million bushels, bales, or cwt)					
	July USDA	June USDA	Change vs Previous	2015 Production	Change vs 2015
Corn	14,540	14,430	+110	13,601	+939
Soybeans	3,880	3,800	+80	3,929	-49
Wheat	2,261	2,077	+184	2,052	+209
Sorghum	420	407	+13	597	-177
Cotton	15.80	14.80	+1.00	12.89	+2.91
Rice	245.0	231.0	+14.0	192.3	+52.7

2016-17 US Ending Stocks					
(million bushels, bales, or cwt)					
	July USDA	June USDA	Change vs Prev Month	2015-16 Estimate	Change vs 2015-16
Corn	2,081	2,008	+73	1,701	+380
Soybeans	290	260	+30	350	-60
Wheat	1,105	1,050	+55	981	+124
Cotton	4.60	4.80	-0.20	3.90	+0.70
Rice	56.9	50.9	+6.0	40.9	+16.0

2016-17 World Ending Stocks					
(million metric tons)					
	July USDA	June USDA	Change vs Prev Month	2015-16 Estimated	Change vs 2015-16
Corn	208.39	205.12	+3.27	206.90	+1.49
Soybeans	67.10	66.31	+0.79	72.17	-5.07
Wheat	253.70	257.84	-4.14	244.52	+9.18
Cotton	91.29	94.73	-3.44	100.27	-8.98
Rice	107.30	106.95	+0.35	106.70	+0.60

2014-15, 2015-16, & 2016-17 USDA MYA Farm Prices					
(\$ per bushel, cents per pound, \$ per cwt)					
	Final 2014-15	2015-16		2016-17	
Corn	\$3.70	\$3.65	down 5 cents	\$3.40	down 10 cents
Soybeans	\$10.10	\$9.05	unch	\$9.50	unch
Wheat	\$5.99	\$4.89	down 1 cent	\$3.80	down 20 cents
Cotton	60.5	58.0	unch	59.0	up 2 cents
Sorghum	\$4.03	\$3.30	unch	\$3.15	down 10 cents
Barley	\$5.50	\$5.52	up 2 cents	\$4.70	down 10 cents
LG Rice	\$11.90	\$11.00	unch	\$10.50	unch

wheat price at \$4.89 & the final barley price at \$5.52. This wheat price would trigger a PLC payment of 61 cents! For the '16-17 year, USDA lowered the corn, wheat, sorghum, & barley estimates; all of these prices would be low enough to trigger PLC payments next year, & in many counties trigger ARC payments too. Use the DCIS calculators to project how PLC & ARC can help provide revenue for this year's crop.



Diversified Services

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Revenue Management Update

Price Select is Working for Many!

We were excited to be able to offer the summer months for Price Select this year for this exact reason. This is the 2nd year in a row the corn market has rallied in the early part of summer, only to run for the woodshed when the crop looked like it would be made. Historically, July has given us the best opportunity to market during the growing season. But the last two years it's been June when the market has spiked – and then fallen.

For those not familiar, Price Select is a crop insurance add-on tool that allows producers to use the monthly average in months besides their base price month to set their revenue guarantee. If the average price in a month selected is higher than the base price, the producer will get to re-figure their guarantee using the highest monthly average.

The matrices at right reflect the meaning of the difference in the February corn average of December futures, \$3.86, and the June average, \$4.19. With an 85% Revenue Policy, the top table shows combinations of yield & harvest price that would trigger an indemnity. At 170 bpa farm yield, a harvest price of \$3.25 would trigger a payment just above \$5/acre. But if the producer had June Price Select and got to re-figure the guarantee using the \$4.19 price, the indemnity with 170 bpa/\$3.25 harvest price jumps to almost \$53/acre. We don't know yet where yields or the harvest price will be, but we do know that this producer increased the policy guarantee \$48/acre by using Price Select in '16.

Corn Matrix								
State:	Wisconsin		County:	49 Iowa		Year:	2016	
% of TA APH	85.29 %	88.24 %	91.18 %	94.12 %	97.06 %	100.00 %	102.94 %	105.88 %
Farm Yield	145.0	150.0	155.0	160.0	165.0	170.0	175.0	180.0
Revenue Insurance w/ \$3.86 base price								
Prices	4.00							
	3.92							
	3.83	\$2.45						
	3.75	\$14.05						
	3.67	\$25.65	\$7.24					
	3.58	\$38.70	\$20.74	\$2.85				
	3.50	\$50.29	\$32.74	\$15.25				
	3.42	\$61.89	\$44.74	\$27.65	\$10.56			
	3.33	\$74.94	\$58.24	\$41.60	\$24.96	\$8.31		
	3.25	\$86.54	\$70.24	\$54.00	\$37.76	\$21.51	\$5.27	
	3.17	\$98.14	\$82.24	\$66.40	\$50.56	\$34.71	\$18.87	\$3.03
	3.08	\$111.19	\$95.75	\$80.35	\$64.96	\$49.56	\$34.17	\$18.78
	3.00	\$122.79	\$107.75	\$92.75	\$77.76	\$62.76	\$47.77	\$32.78
	2.92	\$134.39	\$119.75	\$105.15	\$90.56	\$75.96	\$61.37	\$46.78
	2.83	\$147.44	\$133.25	\$119.10	\$104.96	\$90.81	\$76.67	\$62.53
	2.75	\$159.04	\$145.25	\$131.50	\$117.76	\$104.01	\$90.27	\$76.53

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Farm Yield	145.0	150.0	155.0	160.0	165.0	170.0	175.0	180.0
Price Select^R w/ \$4.19 base price								
Prices	4.00	\$25.48	\$5.42					
	3.92	\$37.08	\$17.42					
	3.83	\$50.13	\$30.92	\$11.78				
	3.75	\$61.73	\$42.93	\$24.18	\$5.44			
	3.67	\$73.33	\$54.93	\$36.58	\$18.24			
	3.58	\$86.38	\$68.43	\$50.53	\$32.64	\$14.75		
	3.50	\$97.98	\$80.43	\$62.93	\$45.44	\$27.95	\$10.46	
	3.42	\$109.58	\$92.43	\$75.33	\$58.24	\$41.15	\$24.06	\$6.96
	3.33	\$122.63	\$105.93	\$89.29	\$72.64	\$56.00	\$39.36	\$22.71
	3.25	\$134.23	\$117.93	\$101.69	\$85.44	\$69.20	\$52.96	\$36.71
	3.17	\$145.83	\$129.93	\$114.00	\$98.24	\$82.40	\$66.56	\$50.71
	3.08	\$158.88	\$143.43	\$128.04	\$112.64	\$97.25	\$81.86	\$66.46
	3.00	\$170.48	\$155.43	\$140.44	\$125.44	\$110.45	\$95.46	\$80.46
	2.92	\$182.08	\$167.43	\$152.84	\$138.24	\$123.65	\$109.06	\$94.46
	2.83	\$195.12	\$180.93	\$166.79	\$152.64	\$138.50	\$124.36	\$110.21
	2.75	\$206.72	\$192.93	\$179.19	\$165.44	\$151.70	\$137.96	\$124.21

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