Diversified Crop Insurance Services
Revenue Management Update

Wednesday, March 9, 2016

No Surprises from USDA in March – So Far

To the surprise of most analysts, USDA did not decrease demand/increase carryout for most **US crops** in its March S&D Report. USDA did lower **soybean** crush 10 million bushels, & increase carryout a like amount to 460 million bushels, the 2nd largest carryout ever. USDA also decreased **rice** exports 2 million hundred-weight & increased carryout a like amount. USDA left corn, wheat, & cotton numbers unchanged.

At the world level, the changes USDA made were actually market-positive. In **corn**, they cut South African production 0.5 mmt to 6.5 mmt (compare to 10.80 last year & 14.93 the year before). In **wheat**, USDA cut Australian production 1.5 mmt to 24.50 mmt, & cut India production 2.41 mmt to 86.53 mmt. In **cotton**, USDA cut India production 1.00 mmt to 26.80 mmt. All of these countries were negatively impacted by El Nino drought in 2015. The other big change was in soybeans, with USDA increasing world crush more than 2 mmt, & lowering world stocks nearly the same amount – but still at a record 78.87 mmt.

The BIG March report will come on March 31, when USDA releases its March 1 Grain Stocks & Prospective Plantings reports. Those reports are usually market movers!

Also in this week's S&D report, USDA updated its **Market Year Average** (MYA) price estimates. They narrowed the ranges for most crops, & the only change was in soybeans, down 5 cents to $8.75. This would slightly increase the odds or amount of an ARC payment for 2015 soybeans. The maps at right from **Farmdoc** show current estimates of corn & soybean ARC payments using final 2015 NASS yield estimates & current MYA prices. Keep in mind that the MYA prices aren't final until August 31, & FSA county yields may differ slightly from the NASS yields. But these estimates should be close. For the PLC program, the crops with blue prices in the top table would be currently low enough to trigger payments.

Diversified Services Marketing Group

2014-15 & 2015-16 USDA MYA Farm Prices

($ per bushel, cents per pound, $ per cwt)

	FINAL 2014-15		2015-16	
Corn	$3.70	N/C	$3.60	unchanged
Soybeans	$10.10	N/C	$8.75	down 5 cents
Wheat	$5.99	N/C	$5.00	unchanged
Cotton	60.5	N/C	59.0	unchanged
Sorghum	$4.03	N/C	$3.30	unchanged
Barley	$5.30	N/C	$5.50	unchanged
LG Rice	$11.90	N/C	$11.30	unchanged

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Figure 1. Estimated 2015 ARC-CO Payments for Corn

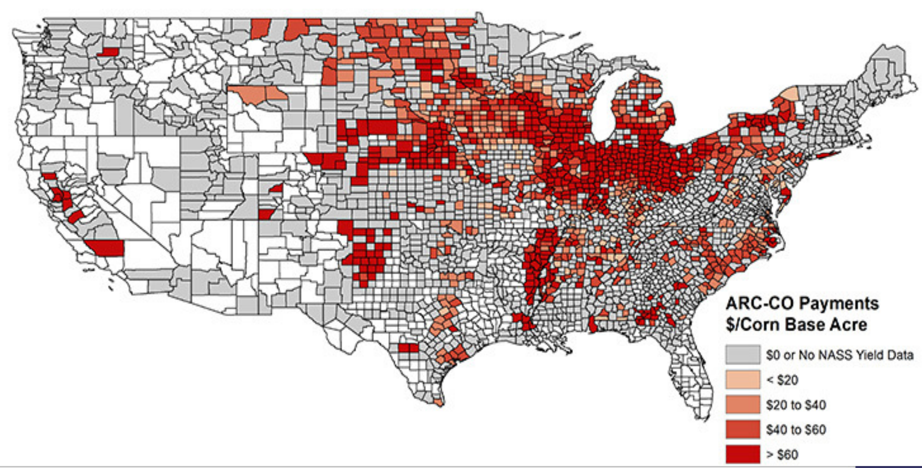

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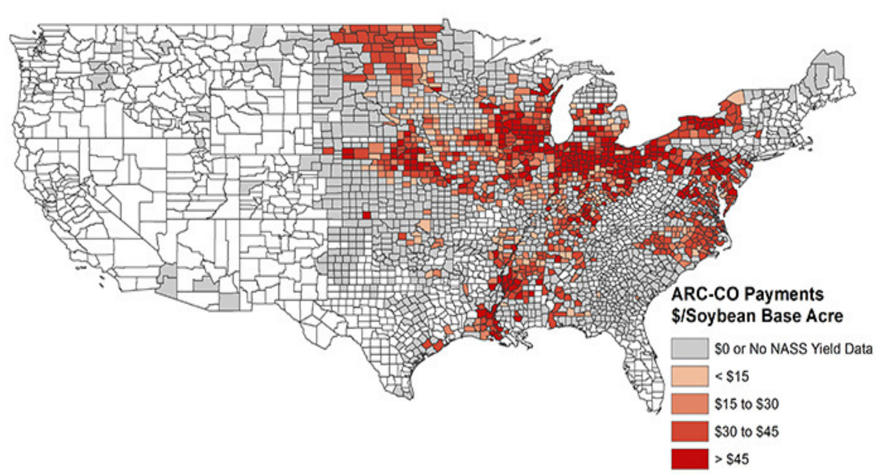
Figure 2. Estimated 2015 ARC-CO Payments for Soybeans



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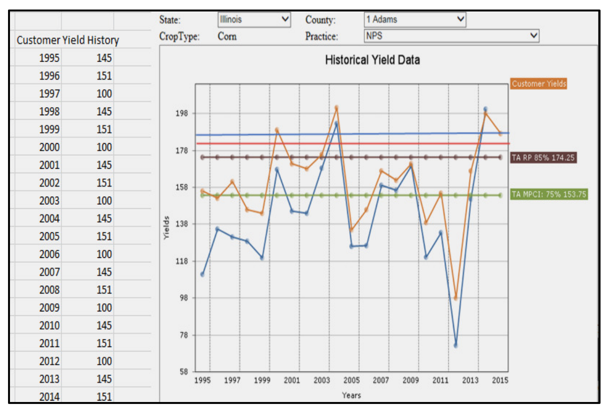
Revenue Management Update

REVENUE Select
YIELD Select

Diversified Crop Insurance Services is proud to offer two versions of a new crop insurance program for 2016 – **Revenue Select** & **Yield Select.** The idea behind these programs is to give producers an opportunity to get more bushel or revenue protection, and cover more, if not all, of their costs of production. Currently, RMA allows producers to cover up to 85% of expected revenue. The Select programs allow producers a way to protect up to 90% or 95% of their expected farm yield or revenue on an enterprise unit basis.

Revenue Select & **Yield Select** are available in 2016 for corn grown for grain & for soybeans in counties that allow for the Trend-Adjusted option. These products are available for 2016 in: Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, and Wisconsin. The final date to purchase these Select products is April 1, so you've still got more than 2 weeks to consider this additional coverage.

There's one important point to make – these Select products are private insurance policies and thus are not subsidized. Thus, they will be fairly expensive. Thus, if you're not already taking full advantage of the government subsidized program at the 85% level, you should certainly consider that first. If you're already doing that, then Revenue & Yield Select allow you to get extra protection. Does 90% or 95% coverage give you enough to cover most or all of your expenses this year? That's the question you should consider.



Customer Yield History	
1995	145
1996	151
1997	100
1998	145
1999	151
2000	100
2001	145
2002	151
2003	100
2004	145
2005	151
2006	100
2007	145
2008	151
2009	100
2010	145
2011	151
2012	100
2013	145
2014	151

This table and graph are a producer's 20-year history of corn production. The blue jagged line shows his actual yields, & the orange jagged line shows his trend-adjusted yields. The horizontal lines then show coverage levels: green line 75%, brown line 85%, red line 90%, blue line 95%. This producer has only had 2 years in which his actual yields were higher than 95% of his trend-adjusted APH. So 1 of 2 things would happen this year: he'd have one of the highest 3 yields he's ever had, or he'd get a payment if he had 95% Revenue Select or Yield Select.

Given the potential revenue/cost scenario this year, as well as a potential change in weather, I encourage producers that are already insuring at the 85% level to take a look at this product for 2016.

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