

USDA: The Great Equalizer!

There were a lot of reactions on Twitter following the release of the March S&D Report that basically said, "The funds giveth, and USDA taketh away." To some extent that is true, but in reality the March USDA wasn't that bearish, but the reasons for the immediate sell-off were already in the works. 1) China was rumored to be cancelling 15 vessels of US soybean purchases for May/June/July – this needed to happen *just to keep* US stocks from getting any tighter. 2) Corn and soybean futures were way overbought going into the weekend – I've been documenting this for days leading up to the report. 3) Producer selling picked up greatly on last week's rally. 4) The story out of the Ukraine is getting old, & it doesn't appear that much if any export business will be threatened. Call this report more "Buy the rumor, sell the fact."

As far as the highlights, USDA did increase **corn** exports once again, which tightened US stocks 25 million bushels. They also increased **soybean** exports 20 million bushels, but found 15 million of that in reduced crush and imports. US soybean stocks are now at their 3rd tightest in the last 10 years. **Cotton** exports were increased 200,000 bales, with stocks lowered a like amount. And **rice** imports were hiked 1 million cwt, which increased stocks the same. USDA did lower Brazilian soybean production 1.5 mmt, but not as large of a cut as some in the trade expected. Chinese corn production was increased, leading to an increase in world stocks. Beginning world rice stocks were raised over 4 mmt, leading to a large jump in this year's ending stocks.

2013-14 US Ending Stocks (million bushels, bales, or cwt)					
	March USDA	February USDA	Change vs Prev Month	2012-13 Estimate	Change vs 2012-13
Corn	1,456	1,481	-25	821	+635
Soybeans	145	150	-5	141	+4
Wheat	558	558	unch	718	-160
Cotton	2.80	3.00	-0.20	3.90	-1.10
Rice	28.3	27.3	+1.0	36.4	-8.1

2013-14 World Ending Stocks (million metric tons)					
	March USDA	February USDA	Change vs Prev Month	2012-13 Estimated	Change vs 2012-13
Corn	158.47	157.30	+1.17	134.67	+23.80
Soybeans	70.64	73.01	-2.37	57.79	+12.85
Wheat	183.81	183.73	+0.08	175.92	+8.62
Cotton	96.75	96.47	+0.28	89.16	+7.31
Rice	111.71	105.03	+6.68	110.98	+0.73

2013-14 Average Farm Prices (\$/per bushel, cents per pound, \$/per cwt)		
Corn	\$4.25 - 4.75	unchanged
Soybeans	\$12.20 - 13.70	up 25 cents
Wheat	\$6.75 - 6.95	up 5 cents
Cotton	75.0 - 78.0	up 0.5 cents
Rice	16.30 - 16.90	up 0.8 cents

Moving Forward

Aside from the situations in the Ukraine (politics), Brazil (ship logistics), & Canada (rail logistics), all eyes are focusing on March 31. That day we get two huge reports: the **March 1 Quarterly Grain Stocks Report** and the **2014 Prospective Plantings Report**. If you're familiar with these quarterly stocks reports, they've had a tendency to jump up and bite us in recent years. The March report is usually a good indicator of feed usage during the Dec-Feb quarter, but there's also the residual factor that sometimes comes into play with USDA's numbers (see Darrel Good's comments this week).

And thought the stocks report will be important, I think this acreage report could be one of the most important in years. And it's not like acreage won't change after the report – it almost always does. But this year is huge for a few reasons. The last two years we've shifter a lot of acres to corn, but profitability and rotations would seem to favor acres moving away from corn to soybeans, cotton, & rice. And the biggest factor this year could be spring weather, and the odds that we won't see near the number of prevented plant acres that we saw in 2013, especially in some of the prime areas of the Corn Belt. *If* we were to add back a majority of those prevented plant acres, we could move to a surplus in many crop this year. Thus, take advantage of profitable prices when opportunities exist.

2014 Prospective Plantings (million acres)				
	Ag Outlook Forum 2014	DCIS Rich 2014	Informa 2014	2013 Final
Corn	92.0	92.5	93.3	95.4
Soybeans	79.5	82.5	77.0	76.5
Wheat	55.5	57.0	55.8	56.2
Cotton	11.5	11.0	11.1	10.4
Rice	2.9	3.1	2.8	2.5
Prevented Plant				8.3

Revenue Management Update

A Second Chance

What a month February was in the ag markets! Who would have ever guessed that a Russian President would be the best ally for corn and wheat longs? Who would have ever guessed the managed funds would have their largest net long position since their record length in the summer of 2012, that managed funds would buy 210,000 contracts of corn since February 1, or that they'd cover their remaining short in wheat?

What the rally has meant to soybean producers is a 7.5% increase in November soybean futures, it's meant a chance for many to insure this year's crop at a decent profit, and for many a chance to catch up on 2014 forward sales. What it's meant to corn producers is a 7.8% increase in December corn futures since February 1, and for many the chance to again lock in a small profit for 2014. Other markets have also seen improved profit opportunities.

The DCIS *Profit Matrix* is an excellent tool to analyze this year's situation in corn. Compare the two matrixes at right. The top matrix shows the situation on February 1, when December corn was at \$4.50, assuming that price would be used for the crop insurance base price and assuming the producer hadn't hedged any corn. Even using high level revenue insurance, there were a lot of yellow/negative boxes. The bottom matrix represents the situation at the end of last week, when December corn was \$4.85, using a high level revenue policy with the base price set at \$4.62, &



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Corn Matrix				State: Illinois		County: 203 Woodford		Year: 2014	
% of TAAPH	25.00 %	69.00 %	74.00 %	79.00 %	84.00 %	100.00 %	110.00 %	120.00 %	
Farm Yield	50.0	138.0	148.0	158.0	168.0	200.0	220.0	240.0	
Cash Price (Ration)	6.00	\$260	\$238	\$236	\$233	\$230	\$410	\$530	\$650
Cash Price	5.70	\$209	\$187	\$184	\$182	\$179	\$390	\$464	\$578
Cash Price	5.41	\$169	\$137	\$135	\$132	\$130	\$292	\$400	\$508
Cash Price	5.12	\$110	\$88	\$85	\$83	\$80	\$224	\$336	\$438
Cash Price	4.83	\$61	\$39	\$36	\$34	\$31	\$176	\$272	\$369
Cash Price	4.54	\$11	(\$11)	(\$13)	(\$16)	(\$19)	\$118	\$208	\$299
Cash Price (Now)	4.25	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	\$90	\$145	\$230
Cash Price	4.17	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	\$44	\$127	\$210
Cash Price	4.09	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	\$28	\$109	\$191
Cash Price	4.01	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	\$12	\$92	\$172
Cash Price	3.93	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$4)	\$74	\$153
Cash Price	3.85	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$20)	\$57	\$134
Cash Price	3.77	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$36)	\$39	\$114
Cash Price	3.69	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$52)	\$21	\$95
Cash Price	3.61	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$65)	\$4	\$76
Cash Price (Low)	3.50	(\$19)	(\$40)	(\$42)	(\$45)	(\$47)	(\$65)	(\$20)	\$50
Break Even Price		\$15.81	\$5.73	\$5.34	\$5.00	\$4.70	\$3.95	\$3.59	\$3.29

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Farm Yield	50.0	138.0	148.0	158.0	168.0	200.0	220.0	240.0	
Cash Price (Ration)	6.00	\$120	\$98	\$95	\$93	\$90	\$270	\$390	\$510
Cash Price	5.75	\$102	\$80	\$78	\$75	\$73	\$245	\$360	\$475
Cash Price	5.53	\$87	\$65	\$62	\$60	\$57	\$223	\$333	\$444
Cash Price	5.31	\$71	\$49	\$47	\$44	\$42	\$201	\$307	\$413
Cash Price	5.09	\$56	\$34	\$31	\$29	\$26	\$179	\$280	\$382
Cash Price	4.87	\$40	\$18	\$16	\$13	\$11	\$157	\$254	\$351
Cash Price (Now)	4.65	\$25	\$3	\$1	(\$2)	(\$4)	\$135	\$228	\$321
Cash Price	4.52	\$16	(\$6)	(\$9)	(\$11)	(\$14)	\$122	\$212	\$302
Cash Price	4.39	\$7	(\$15)	(\$18)	(\$20)	(\$23)	\$109	\$196	\$284
Cash Price	4.26	\$16	(\$6)	(\$9)	(\$11)	(\$13)	\$96	\$181	\$266
Cash Price	4.13	\$29	\$7	\$5	\$2		\$83	\$165	\$248
Cash Price	4.00	\$42	\$20	\$18	\$15	\$13	\$70	\$150	\$230
Cash Price	3.87	\$55	\$33	\$31	\$28	\$26	\$57	\$134	\$211
Cash Price	3.74	\$68	\$46	\$44	\$41	\$39	\$44	\$118	\$193
Cash Price	3.61	\$81	\$59	\$57	\$54	\$52	\$44	\$103	\$175
Cash Price (Low)	3.50	\$92	\$70	\$68	\$65	\$63	\$55	\$90	\$160
Break Even Price		\$15.81	\$5.73	\$5.34	\$5.00	\$4.70	\$3.95	\$3.59	\$3.29

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forward selling 50% of expected production. We turned a lot more boxes green, though still not all of them – like last year. Even so, I believe this is a great 2nd chance to utilize your crop insurance guarantee to lock in hedges for 2014 corn.

For those of you wishing to use the DCIS *Profit Matrix* to run scenarios on your own farm, ask your DCIS agent to get you a username & password and begin using this tool ASAP!



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