



## September USDA Crop Report

2010-11 US Production (million bushels)				
	September USDA	August USDA	Change vs Previous	Avg Trade Estimate
Corn	13160	13365	- 205	13199
Soybeans	3483	3433	+ 50	3406
Wheat	2265	2265	0	

The numbers in the September report weren't really too surprising to the trade. USDA estimated **corn yield at 162.5 bpa**, down 2.5 bpa from August, and estimated **soybean yield at a record 44.7 bpa**, up 0.7 bpa from August. That's the same trend we've been expecting to see, and many in the trade believe the corn yield will eventually fall even more. Even with some slippage, both the corn and soybean production estimates from USDA would be records!

2010-11 US Ending Stocks (million bushels)				
	September USDA	August USDA	Change vs Previous	Avg Trade Estimate
Corn	1116	1312	- 196	1125
Soybeans	350	360	- 10	305
Wheat	902	952	- 50	914

**Corn demand** was cut 50 million bushels (feed use down 100, exports up 50) to a still-record 13.440 billion bushels. Ending stocks at just 1.116 billion bushels leaves the trade feeling the need to ward off export buying before it takes place. **Soybean demand** was increased 50 million bushels (exports), off-setting the increase in production, and keeping ending stocks at a comfortable 350 million bushels. This looks bearish considering talk that South America will increase soybean plantings this fall. **Wheat demand** was increased 50 million bushels (exports) but still keeps stocks at a very large 902 million bushels.

2010-11 World Ending Stocks (million metric tons)				
	September USDA	August USDA	Change vs Previous	
Corn	135.56	139.20	- 3.64	
Soybeans	63.61 *	64.73	- 1.12	
Wheat	177.79	174.76	+ 3.03	

\* Record

Aside from the drop in US corn production and a **cut in Russian wheat production of 2.5 mmt** (now 42.50 mmt), there weren't any big changes in the world numbers. The cut in world corn stocks was directly related to the US numbers, but the drop in soybean stocks (-1.12 mmt) and increase in world wheat stocks (+3.03) were mostly related to increases in beginning stocks, or increases in last year's carryout. Therefore, the world stocks estimates were rather boring this month for a change!

## Revenue Insurance Update

What a strange year this has been – again. What appeared to be a pretty good growing season gave way to excessive heat throughout much of the Corn Belt. Grain prices looked ready to tank at the end of June, only to relent to *record spec fund buying* in July and August, rallying corn \$1.20, soybeans \$1.50, and wheat nearly \$4.00 off of summer lows. Early harvest yield reports have been less than expected, fueling even more speculative interest. Despite the counter-seasonal rally in prices, **your revenue policy with the harvest price option is still working for you**. Here's how.

Revenue policies with the harvest price option such as **CRC, RA-HP, and GRIP-HP** utilize the higher of the base price (February) or harvest price (Oct/Nov) to determine your final revenue guarantee. With corn and soybean prices looking like they will be higher than the base prices, your guarantee/trigger will also be increased. Since your actual revenue will also be figured against this same harvest price, then a potential loss in revenue comes down to yield – was there a yield loss on my farm or county greater than the guarantee or trigger yield for my policy?

prices		YIELDS									
		120	130	140	150	155.11	170	180	190	200	210
\$ 5.00	\$ 190.50	\$ 190.50	\$ 203.50	\$ 203.50	\$ 203.50	\$ 203.50					
\$ 4.88	\$ 176.17	\$ 176.17	\$ 187.37	\$ 187.37	\$ 187.37	\$ 187.37					
\$ 4.75	\$ 171.48	\$ 171.48	\$ 180.98	\$ 180.98	\$ 180.98	\$ 180.98					
\$ 4.63	\$ 167.14	\$ 167.14	\$ 174.94	\$ 174.94	\$ 174.94	\$ 174.94					
\$ 4.50	\$ 162.45	\$ 162.45	\$ 170.45	\$ 170.45	\$ 170.45	\$ 170.45					
\$ 4.38	\$ 158.12	\$ 158.12	\$ 166.32	\$ 166.32	\$ 166.32	\$ 166.32					
\$ 4.25	\$ 153.43	\$ 153.43	\$ 161.43	\$ 161.43	\$ 161.43	\$ 161.43					
\$ 4.13	\$ 148.09	\$ 148.09	\$ 156.09	\$ 156.09	\$ 156.09	\$ 156.09					
\$ 4.00	\$ 144.40	\$ 144.40	\$ 152.40	\$ 152.40	\$ 152.40	\$ 152.40					
\$ 3.88	\$ 137.24	\$ 137.24	\$ 144.24	\$ 144.24	\$ 144.24	\$ 144.24					
\$ 3.75	\$ 132.84	\$ 132.84	\$ 139.84	\$ 139.84	\$ 139.84	\$ 139.84					
\$ 3.63	\$ 127.24	\$ 127.24	\$ 134.24	\$ 134.24	\$ 134.24	\$ 134.24	\$ 5.74				
\$ 3.50	\$ 122.84	\$ 122.84	\$ 129.84	\$ 129.84	\$ 129.84	\$ 129.84	\$ 27.84				
\$ 3.38	\$ 117.24	\$ 117.24	\$ 124.24	\$ 124.24	\$ 124.24	\$ 124.24	\$ 48.24	\$ 14.44			
\$ 3.25	\$ 112.84	\$ 112.84	\$ 119.84	\$ 119.84	\$ 119.84	\$ 119.84	\$ 70.34	\$ 37.84	\$ 5.34		
\$ 3.13	\$ 107.24	\$ 107.24	\$ 114.24	\$ 114.24	\$ 114.24	\$ 114.24	\$ 90.74	\$ 59.44	\$ 26.14		
\$ 3.00	\$ 102.84	\$ 102.84	\$ 109.84	\$ 109.84	\$ 109.84	\$ 109.84	\$ 112.84	\$ 82.84	\$ 32.84	\$ 22.84	

For a CRC or RA-HP policy, take your farm APH times the percent coverage to determine your yield guarantee. For GRIP-HP multiply the county insurable yield times the percent coverage. To make it easier, our **DS Super-Matrix<sup>R</sup>** tool (above) shows you all the possibilities for indemnity payments for your farm (CRC, RA-HP) or county (GRIP-HP). This table illustrates at what yield and price combinations indemnities would be paid on an 85% CRC policy in Sangamon County, Illinois and the likely amount of payment. This year, the most likely scenario for many folks will be below-average yield and above-average price. If that's the case, then we'll be looking at the top left quadrant (orange box) of the Super-Matrix for possible outcomes.

Your **Diversified Crop Insurance Services** agent will be glad to run a Super-Matrix (we call them "green and white") sheet for your farm to show you exactly how your coverage lines up as you get more yield results and as we start setting the harvest prices in October. Tools like this allow us to easily show you how your policy is working for you!



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## More Thoughts on the Corn Report, and Implications for 2011

**'09 Crop** – the FINAL average farm price for 2009 corn was **\$3.55**. This confirms that producers who signed up for ACRE on corn ground last year in Illinois and North Dakota should expect an ACRE payment sometime in October. The average payment in Illinois should be around **\$21.60** per enrolled acre, depending on whether your farm's Olympic average was higher or lower than the state's.

**'10 Crop** – We won't run out of corn this year. But we haven't hurt demand either in spite of running corn up \$1.25 from its summer low! In fact, the **September demand estimate is 30 million bushels higher than it was back in June**. Do we need to ration demand? The speculative trade thinks yes, mostly because they (and we) feel the 2010 yield and production will ultimately come down further. The current stocks/use ratio of 8.3% is the tightest since 1995/96, so each day as we hear yield reports the trade will speculate how those numbers will affect our bottom line.

**'11 Crop** – We may be able to slide by with the 2010 corn stocks as long as there's a promise of a bigger crop in 2011. **And that starts with more acres**. As the 2010 picture gets a little clearer, we'll see how hard the markets must work to attract more corn acres in 2011. December '11 corn futures (right) are pushing against the November high of \$4.62 (for the record, the contract high on December 2011 futures was \$6.61 back in 2008). In the supply/demand table (top right) I've included my corn estimates for 2011/12: planted acres of 91.5 million, production of 13.851 billion bu., demand of 13.800 billion bu., and ending stocks of 1.216 billion bu. By keeping ending stocks nearly unchanged, we would expect prices to stay in the same range as this year. This would suggest good profit margins are very possible for next year's crop! **Using tools like revenue insurance and hedging with futures and options can help you lock those in.**

Corn						
Marketing Year	USDA 08/09	USDA-Sep 09/10	USDA-Sep 10/11	DS-Sep 10/11	Informa-Sep 10/11	DS-Sep 11/12
Planted Acres	86.0	86.5	87.9	88.3	88.9	91.5
Harvested Acres	78.6	79.6	81.0	81.4	82.0	84.5
Yield	153.9	164.7	162.5	160.9	158.5	164.0
Production	12,092	13,110	13,160	13,100	13,000	13,851
Beg. Stocks	1,624	1,673	1,386	1,386	1,375	1,156
Imports	14	8	10	10	11	9
<b>TOTAL SUPPLY</b>	<b>13,729</b>	<b>14,791</b>	<b>14,556</b>	<b>14,496</b>	<b>14,386</b>	<b>15,016</b>
Feed & Residual	5,246	5,525	5,250	5,250	5,100	5,400
Food, Seed, & Ind	4,953	5,900	6,090	6,090	6,180	6,300
Ethanol for Fuel	3,677	4,535	4,700	4,700	4,800	4,900
Total Domestic	10,198	11,425	11,340	11,340	11,280	11,700
Exports	1,858	1,980	2,100	2,000	2,100	2,100
<b>TOTAL DEMAND</b>	<b>12,056</b>	<b>13,405</b>	<b>13,440</b>	<b>13,340</b>	<b>13,380</b>	<b>13,800</b>
<b>ENDING STOCKS</b>	<b>1,673</b>	<b>1,386</b>	<b>1,116</b>	<b>1,156</b>	<b>1,006</b>	<b>1,216</b>
<b>STOCKS/USE %</b>	<b>13.9%</b>	<b>10.3%</b>	<b>8.3%</b>	<b>8.7%</b>	<b>7.5%</b>	<b>8.8%</b>
<b>Avg Farm Price (\$/Bu)</b>	<b>\$4.06</b>	<b>\$3.55</b>	<b>\$4.00-4.80</b>	<b>\$4.00-4.50</b>	<b>\$4.65</b>	<b>\$4.00-4.50</b>

