

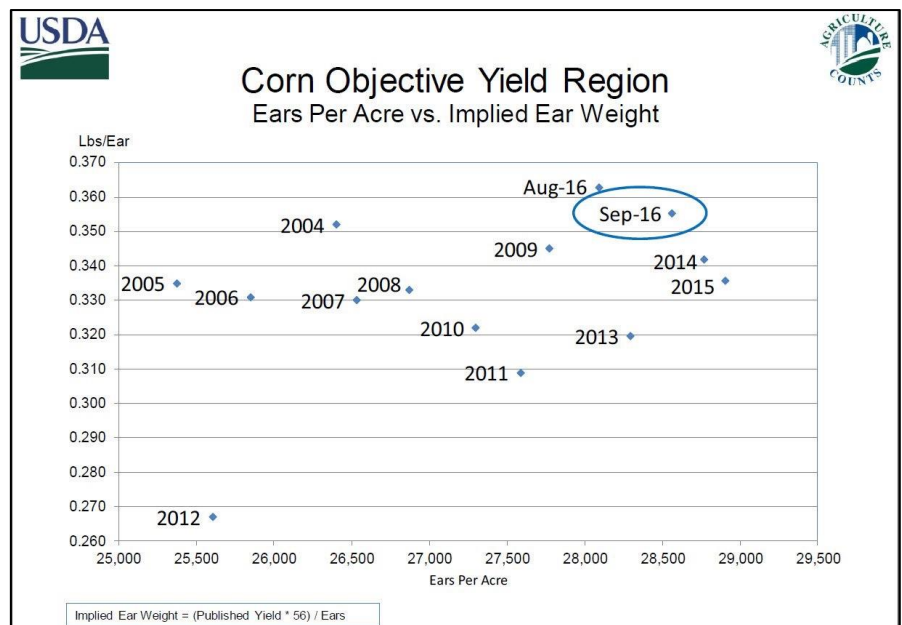
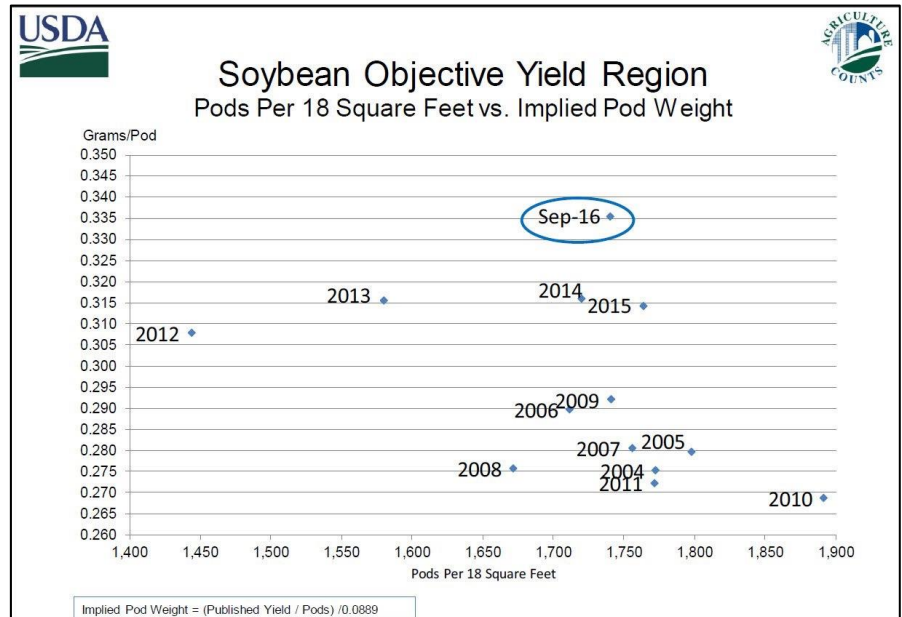
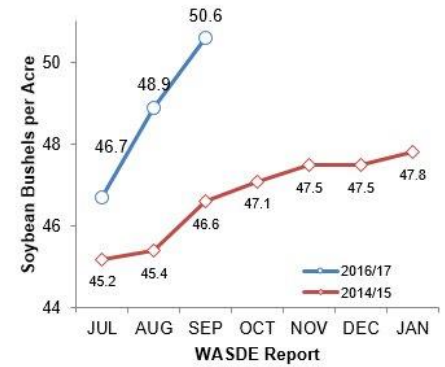
## Crop Production Estimates, Take 2...

USDA released its 2<sup>nd</sup> set of survey yield estimates for spring crops on Monday. **The biggest surprise was the soybean yield of 50.6 bpa**, which was 0.5 bpa higher than the highest analyst guess. USDA got to this yield by forecasting a record pod weight. This record yield times record acres provides for what would be a record production of 4.201 billion bushels. Now USDA did increase soybean demand substantially, esp for old crop, but also by 45 million bushels in the 16-17 year to a record 4.061 billion bushels. But that's not as large as production, & thus ending stocks were increased to 365 million bushels. This higher carryout persuaded managed funds to liquidate more of their long positions in soybeans.

**USDA also increased cotton production.** Though it was only 260,000 bales, the trade likely expected a small cut. And like soybeans, managed funds were long cotton going into the report, & the higher production/higher carryout pushed them to liquidate some length.

**USDA did lower its corn yield 0.7 bpa to 174.4 bpa.** The trade actually expected a bigger cut, though the range of yield guesses from analysts remains very wide. As I expected, USDA lowered its implied ear weight (still a record though), but increased its ear count per acre. This drop in yield took production down 60 million bushels – still a record 15.093 billion bushels! – but USDA also cut demand 25 million bushels. US ending stocks are still estimated to be the largest since 1987-88 at 2.384 billion bushels.

**Wheat actually got a little positive news!** USDA did not change any numbers in the US balance sheet, but they increase world domestic feed usage in both old & new crop, cutting world stocks 3.75 mmt. Now, both US & world carryouts remain at huge numbers. But at least low prices are stimulating fresh demand. And with managed funds holding record short positions in wheat, they apparently felt nervous enough to cover some of it both prior to and after the release of this month's USDA report.





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## Revenue Management Update

### Final 2015-16 MYA Prices Should Finally Be Set

USDA did not make many changes to their 2015-16 *Marketing Year Average* prices (green box) in the September report. So assuming FSA agrees with these, then they will be used to calculate PLC (Price Loss Coverage) & ARC (Ag Risk Coverage) payments to be made this October.

The **blue prices** in the top table are below the **PLC** reference prices (blue prices, bottom table). If you have base acres of a crop enrolled in PLC, then you'll be receiving the difference in prices times your FSA payment yield for that crop times 85% of that crop's base acres. You can see that the **BIG 4** crops receiving PLC this fall will be peanuts, rice, wheat, & sorghum.

The **ARC-County** program uses the same MYA price times the county yield to determine revenue, then compares that to the trigger - 5-year Oly avg county yield x **5-year Oly avg price** (bottom table) x 86% - to determine if there's a loss. Take that times 85% of that crop's base acres to determine the payment. FSA hasn't released county yields yet on a national basis, though I've been told some county FSA offices have released their numbers.

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	\$3.60	unch	\$3.20	up 5 cents
Soybeans	\$10.10	\$8.95	unch	\$9.05	down 5 cents
Wheat	\$5.99	\$4.89	final	\$3.60	down 10 cents
Cotton	60.5	58.0	unch	63.0	unch
Sorghum	\$4.03	\$3.30	unch	\$3.05	up 5 cents
Barley	\$5.50	\$5.52	final	\$4.95	unch
LG Rice	\$11.90	\$11.10	up 0.10	\$9.70	down .30 cents
Peanuts	\$0.2200	\$0.1930	final	\$0.1890	unch

	PLC Ref Price	2014-15 5-Year Oly Avg	2015-16 5-Year Oly Avg	Est 2016-17 5-Year Oly Avg	Est 2017-18 5-Year Oly Avg
Corn	\$3.70	\$5.29	\$5.29	\$4.79	\$3.94
Soybeans	\$8.40	\$13.00	\$12.27	\$11.87	\$10.87
Wheat	\$5.50	\$6.60	\$6.70	\$6.70	\$5.92
Sorghum	\$3.95	\$5.10	\$5.10	\$4.77	\$4.10
Barley	\$4.95	\$5.48	\$5.57	\$5.64	\$4.85
LG Rice	\$14.00	\$14.17	\$14.17	\$14.17	\$12.20
Peanuts	\$0.2675	\$0.2787	\$0.2787	\$0.2787	\$0.2413

Unfortunately, these payments are going to be very important for cash flow this fall, and possibly next fall too. USDA's MYA estimates for the 2016-17 crop – the one about to be harvested – are in the top table to the right. Most of these prices are below the 2015-16 year prices, which means PLC and possibly ARC payments could be big again next fall. Your DCIS agent can plug numbers into our PLC & ARC calculators to project potential payments for those of you wishing to try to budget for next year.