



Another Gem from USDA

This makes two straight months that USDA has surprised us with higher yields for corn, soybeans, & cotton. But after the initial thumping in a few markets like cotton & corn, markets have seemed to stabilize. And in fact, the soybean market has found some strength, as export demand has continued to surface on nearly a daily basis. Here's a quick rundown on the September report.

Soybeans – Yield increased 0.5 bu to 49.9, which wasn't a huge shock. But USDA increased demand as much as production. 2018 carryout is projected at a large 475 million bushels, but as most of us know, the last four years' final carryout was cut dramatically from early projections.

Corn – Yield increased 0.4 bu to 169.9 bpa when most analysts expected a 1-2 bu decline. 2018 carryout is still forecasted at over 2.2 billion bushels. USDA's export projection is down nearly 400 million from last year. That's the biggest issue going forward.

Cotton – USDA again shocked the cotton market by increasing planted acres, harvested acres, & yield! Most of us assumed USDA would reduce harvested acres and yield due to the impact of both Harvey & Irma. Now USDA did say they would re-survey acres prior to the October report. But this month's larger production and 2018 carryout was a shock for a market that had seen good gains prior to the report.

Wheat – Nothing – USDA made no changes to wheat production or stocks numbers this month.

Yes, supply can change in October, November, & January USDA reports. But assuming only small adjustments are made to supply, here are the main factors I see for our markets in the months ahead.

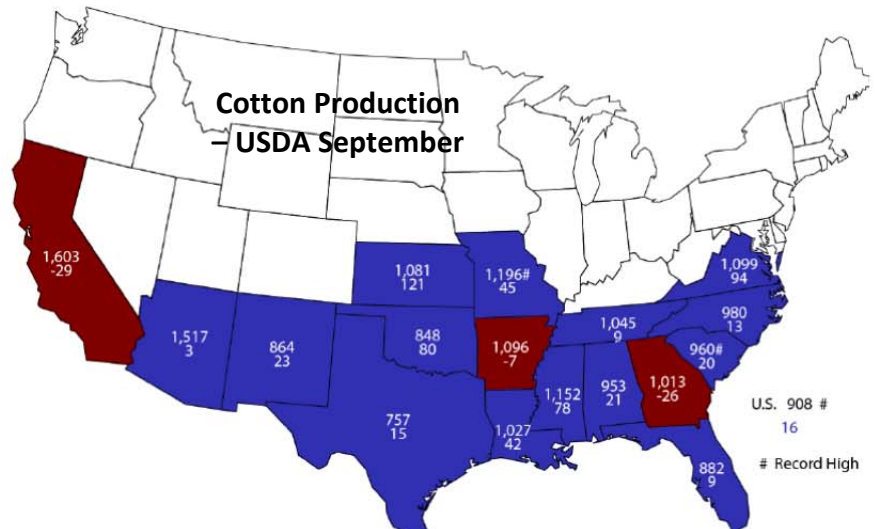
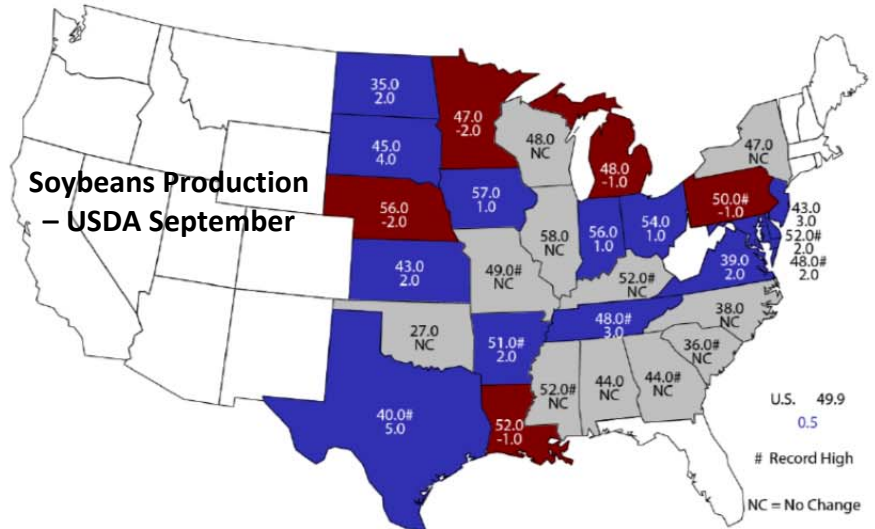
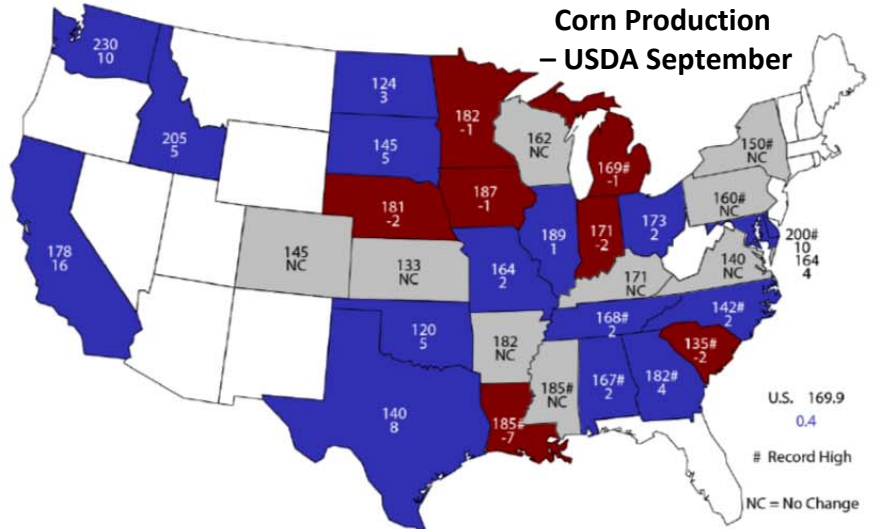
1. Too much of everything. This has been the case for most crops for a couple of years now.

2. Seasonals / Speculative Money. It's the time of year when markets trend lower into harvest, & managed funds tend to remove money from ag markets.

3. Weaker US Dollar. The dollar is at a 32-month low. Will that continue to help export business? We need that to happen!

4. Transition to a demand market. As supply becomes a "known", pressure turns to demand for price improvement.

5. South American weather. Planting is about to begin, and so far Brazil is pretty dry.





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Revenue Management Update

Managing Risk in the Months Ahead

While large supplies of all 4 major crops will likely keep market upside pretty well contained, there are plenty of ways that producers need to manage risk and take advantage of opportunity.

- Utilize storage, but don't fall in love with it. Wheat & corn are offering the largest carries – well into 2018 or even 2019 – that we've seen in years! But the only way to truly "earn" that carry is to forward sell out into that period when the market presents an opportunity. Focus on next July or September futures, & look to set basis when futures drop, not when futures rally!
- Leave offers to price with your elevator, and don't pull them when the market gets close.
- Continue to look for ways to utilize options, like short-dated put options to protect ahead of government reports, & "courage calls" ahead of the growing season to make it easier to pull the trigger on rallies.
- Have a written plan. Your DCIS agent can assist you with our Profit Matrix tool to show how your plan can work for you!

Diversified Services Marketing Group		USDA Final & Projected MYA Farm Prices (\$ per bushel, cents per pound, \$ per cwt)					
	PLC Ref Price	Final 2014-15	Final 2015-16	Final 2016-17		2017-18	
Corn	\$3.70	\$3.70	\$3.61	\$3.35	unch	\$3.20	down 10 cents
Soybeans	\$8.40	\$10.10	\$8.95	\$9.50	unch	\$9.20	down 10 cents
Wheat	\$5.50	\$5.99	\$4.89	\$3.89	Final	\$4.60	down 20 cents
Cotton	N/A	60.5	58.0	68.0	unch	60.0	down 1.0 cents
Sorghum	\$3.95	\$4.03	\$3.31	\$2.75	unch	\$2.90	unch
Barley	\$4.95	\$5.50	\$5.52	\$4.96	Final	\$4.70	down 70 cents
LG Rice	\$14.00	\$11.90	\$11.10	\$9.60	unch	\$12.50	up 0.50 cents
Peanuts	\$0.2675	\$0.2200	\$0.1930	\$0.1960	unch	\$0.2120	unch

Suggestions for 2017 & 2018 Marketing:

- Manage carries/storage/basis.
- Leave offers to sell rallies (& not even numbers!)
- Options can be helpful tools.
- Make a plan - with revenue insurance the plan's base - & execute your plan!

