



Reed's Review



Reed Burres

Quick Preview

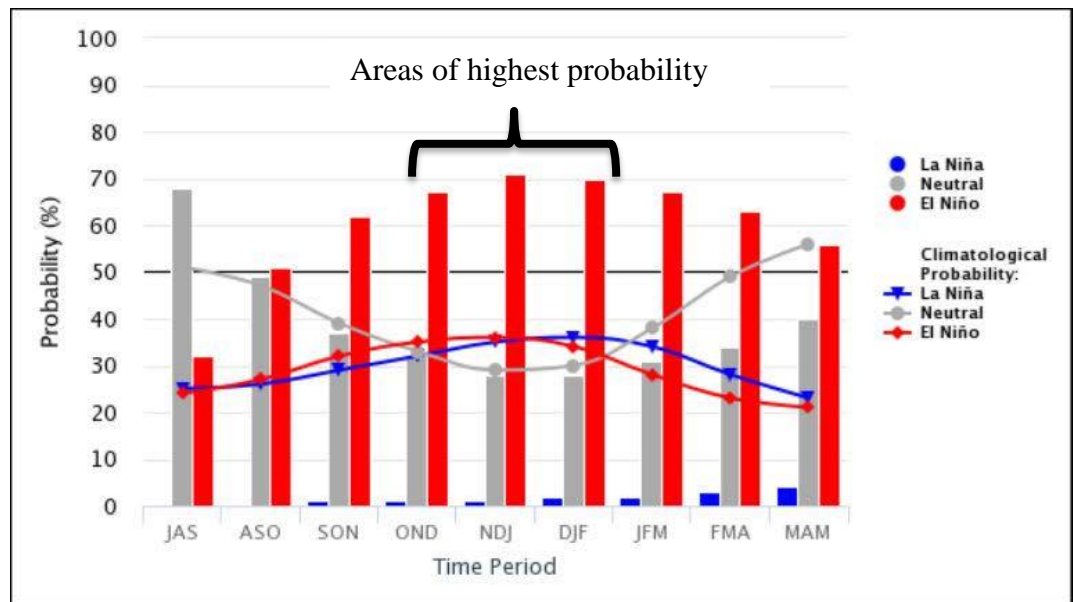
- ✓ *Current and expected weather conditions during harvest.*
- ✓ *Where will the 2018 harvest price land?*
- ✓ *Revenue loss examples for corn and soybeans.*
- ✓ *2019 Intended Acreage, what will happen?*
- ✓ *2018 Futures Contract Reflection*
- ✓ *Factors will be driving future demand and consumption.*
- ✓ *Closing Remarks*

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Upcoming Weather Conditions

Sitting down and thinking about what to specifically focus on in this edition of Reed's Review is a bit different than recent months. We could talk about the uncertainty in the grain markets as well as Cyclone football, if farmers will actually receive 100% of their MFP payment or if the rate will remain at 50%, what will planting intentions actually shape up to be for the 2019 crop year, and MANY more things. Looking at much of the state, we have seen no shortage of wet spots in fields recently, this can be largely attributed to El Niño's presence becoming more and more present. If we re-reference the chart addressing probability of El Niño occurrence from our September newsletter, we will see that there is a strong likelihood of October, November, and December (OND) being the months that would reflect El Niño's presence the greatest, and thus far, it certainly has been spot on.



Data Source: <https://www.surflines.com/surf-news/el-nino-2018-forecast-fall-return-swell-surf-uncertain/28254>



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Insurance Calendar

October:
Fall Client Visits

October 1st – October 31st:
Fall Price Discovery Period

November 1st - 5th :
Harvest Price Announced

November:
Production Reporting
Harvest Claims



December:
Production Reporting
Claims

January:
Coverage Reviews

Harvest Price Discovery

This uncharacteristically wet fall coupled with the abundance of growing degree units that we accumulated this growing season will have many corn farmers who planted crops relatively timely in quite the pickle. Thus far, I have seen fields that are beginning to have issues with stalk quality, and I believe that stalk integrity will be one of the most important factors in helping farmers achieve a high yield to help offset low commodity prices. Speaking of low commodity prices, how is your crop insurance policy looking? Do you know the yield that you need in order to break even? What yield will trigger a loss for you?

As we are now in the month of October we need to begin closely watching the prices of the December Corn and November Soybean CBOT contracts. The daily closing values will be averaged and that will determine the 2018 harvest price for corn and soybeans. Below you will see our projected prices, which we will update in our November newsletter as the Risk Management Agency (RMA) will release the actual numbers then, and further show you how to calculate a trigger yield based on a revenue protection policy.

	Spring and Projected Harvest Prices:	
	Corn: \$3.96	Corn: \$3.66
	Soybeans: \$10.16	Soybeans: \$8.62
Revenue Protection Loss Example:		
<u>Corn Coverage Level: 85% with approved yield of 200 bushels per acre</u>		
$200 * 85% * \$3.96 = \mathbf{\$673.20}$ per acre revenue guarantee		
$\$673.20 / \3.66 (projected harvest price) = 183.93 bushels per acre		
If the farmer produces less than 183.93 bushels per acre, a revenue loss will be triggered		
<u>Soybean Coverage Level: 85% w/approved yield of 58 bushels per acre</u>		
$58 * 85% * \$10.16 = \mathbf{\$500.89}$ per acre revenue guarantee		
$\$500.89 / \8.62 (projected harvest price) = 58.10 bushels per acre		
If the farmer produces less than 58.1 bushels per acre, a revenue loss will be triggered		
***Please note these projected board prices used in this example are not final.		



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We're Online!

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Taking a quick look at the December Corn and November Soybean contracts, we are reminded that we have been on quite the wild ride over the past 6 months since first getting crops planted.

Image Source: CME Group



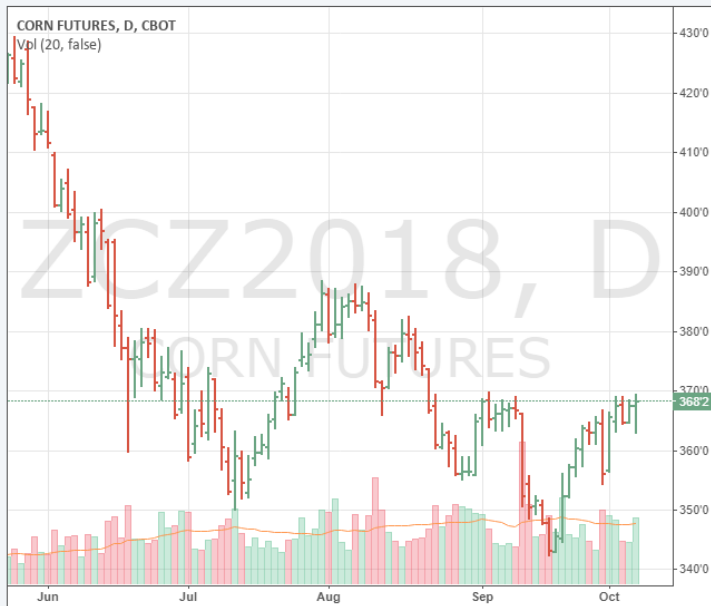
2019 Intended Acres and Market Reflection

Shifting gears and looking to the crop 2019 year, what do you think? Will basis at the local elevator return to seasonal averages at about the same rate it has in the past? Or will it linger and remain at current levels as a result of longer carryover? Basis is often overlooked by many, as few take it into consideration and look at the seasonal shifts and how it ultimately impacts their bottom line.

It is difficult to adequately gauge where 2019 planting intentions will fall as of today, given that there is much to still be discovered yet for the remaining 2018 harvest season. Many will make their intentions for the 2019 crop year be known well after harvest, however, it wouldn't be surprising to see a fair amount of spring applied anhydrous.....

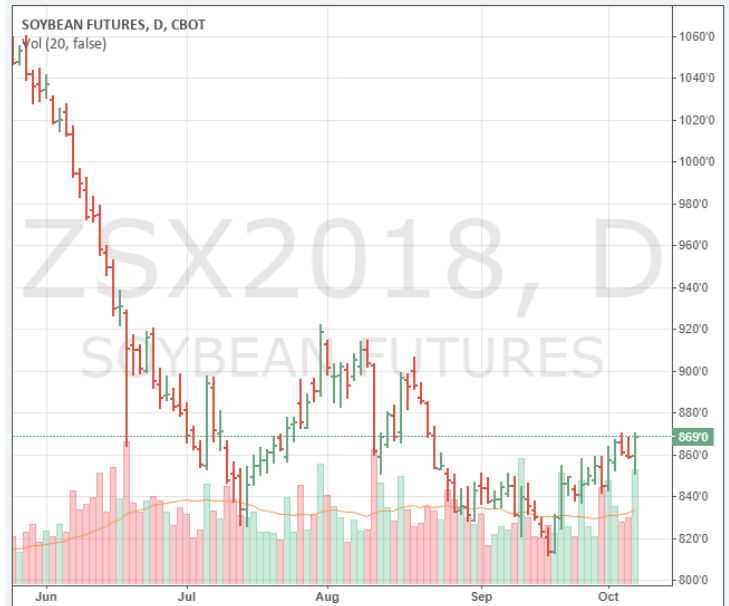
A quick refresher, USDA reports that this 2018 corn year we currently have approximately 89.1 million acres of corn planted with 81.8 million acres intended to be harvested and 89.6 million acres of soybeans. It would be interesting to see how a 20-cent rally in the corn market could rearrange acres that might be rotating to soybeans for 2019.

Published on TradingView.com, October 05, 2018 13:48 EST
CBOT:ZCZ2018, D 368'2 ▲+0'6 (+0.2%) O:367'4 H:369'4 L:363'0 C:368'2



Created with TradingView

Published on TradingView.com, October 05, 2018 13:50 EST
CBOT:ZSX2018, D 869'0 ▲+9'6 (+1.13%) O:860'0 H:870'2 L:851'4 C:869'0



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Future Demand and Consumption Growth

With many unknowns still in effect, we certainly could have some upside potential in the market, along with that, if we do eclipse the 180 bushel/acre mark nationally, we will more than likely see the market prices drop given excessive supply, regardless, we are seeing SOME strength in the corn and soybean market currently as exports remain steady to Mexico and certain SE Asia countries, trade talks have continued, and overall unfavorable harvest conditions in much of the Midwest.

One thing that is particularly exciting is when countries work to increase their consumption of biofuels, as it promotes a longer-term demand and consumption of either corn, soybeans, or a mix of both. As more countries work to adopt higher fuel standards, overall world consumption and demand will continue to grow, however, the question is, what rate will it need to grow at in order to keep up increased yields. If we look at the FSI demand (food, seed, and industrial demand) we will see that demand has only continued to increase at steady rates. With the help of Index Mundi (see image on page 6), we can model all of countries FSI consumption, thus far we have seen the largest growth in South American and African countries.

Closing Remarks

As more information comes available on new developments in the market turn to our Facebook and Twitter pages to stay in the know! Please continue to have a safe harvest season and we will look forward to covering more on the cattle and hog markets next month. Until next time, stay safe, be proactive and work to reduce your operation's risk. Thanks for reading!

All the best,

Interested in a career in crop insurance or risk management?

AgriPeril is hiring!

Feel free to email reed@agriperil.com for additional information.

IOWA STATE UNIVERSITY
College of Agriculture and Life Sciences

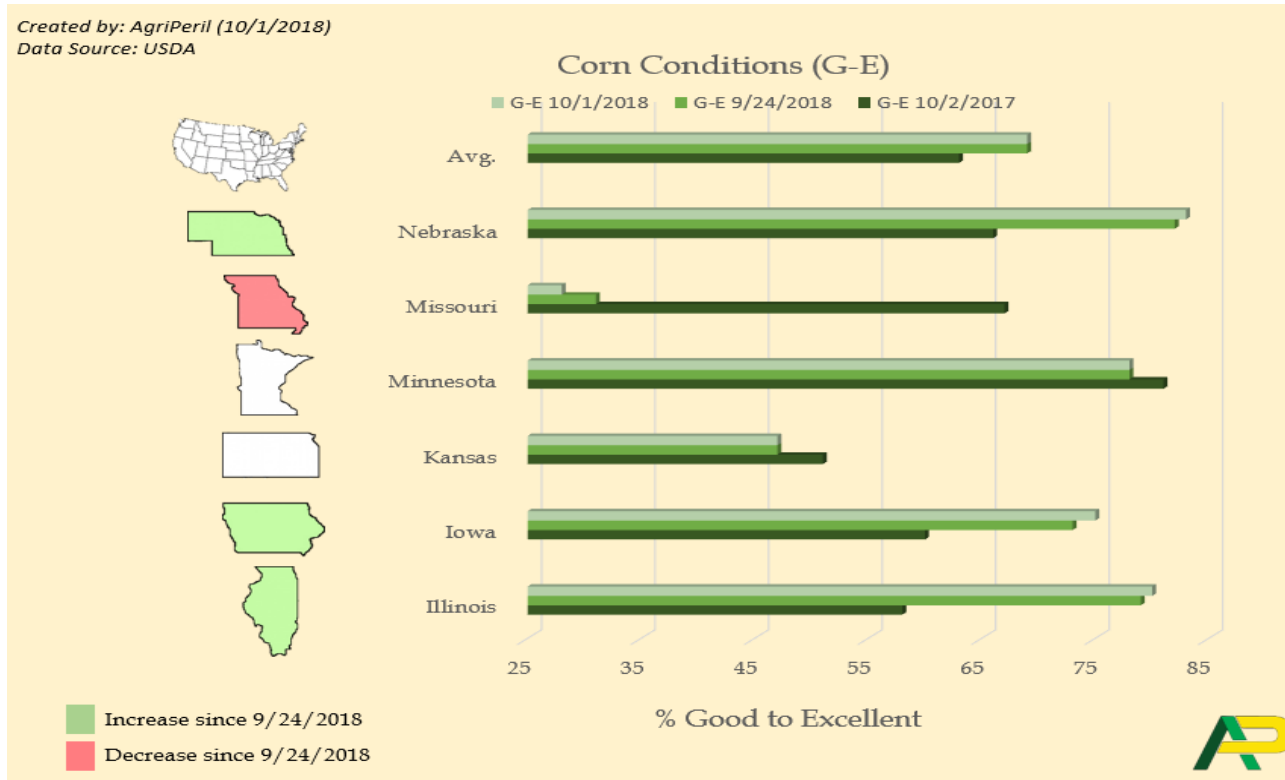
Hey, Iowa State Students!

We will be at the Iowa State College of Agriculture and Life Sciences career fair on October 9th! We are looking for the next generation of driven, and passionate young leaders in agriculture. Stop by, say "hi" and learn more about our internship positions!

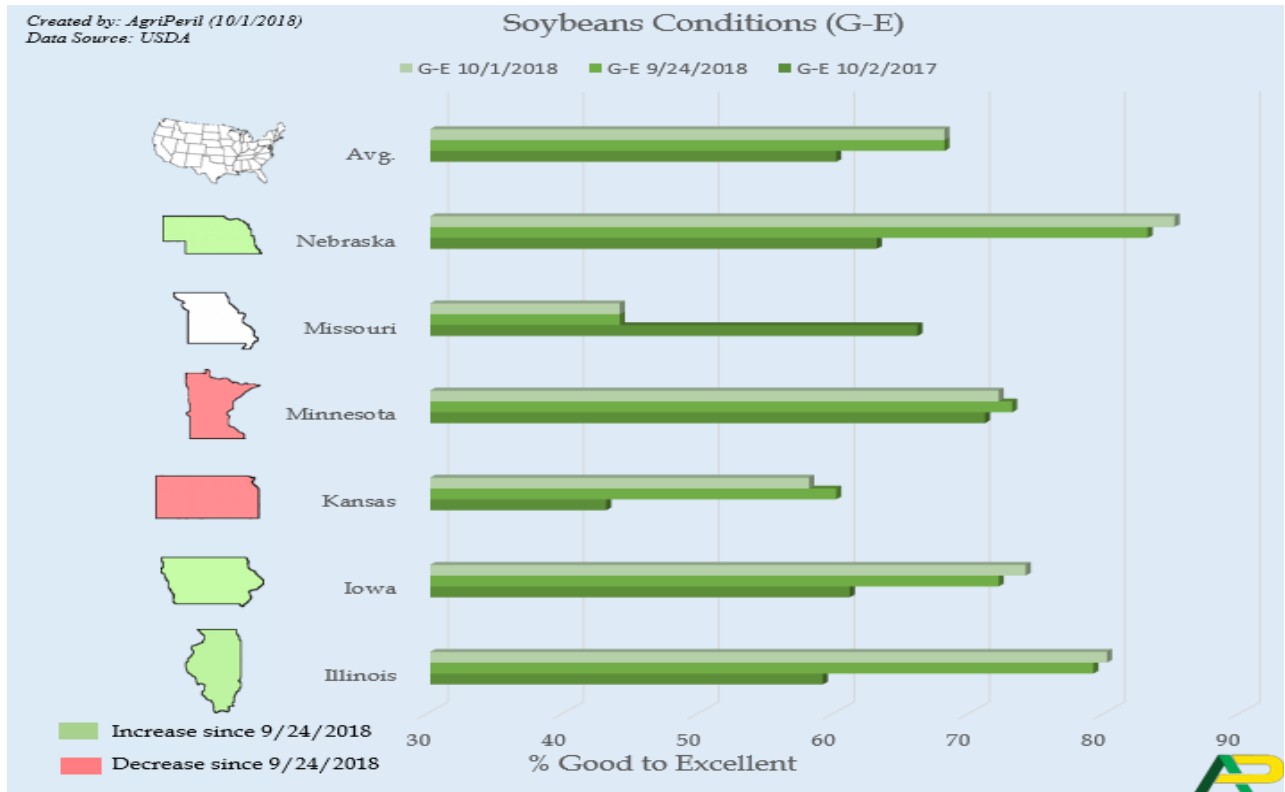


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Created by: AgriPeril (10/1/2018)
Data Source: USDA

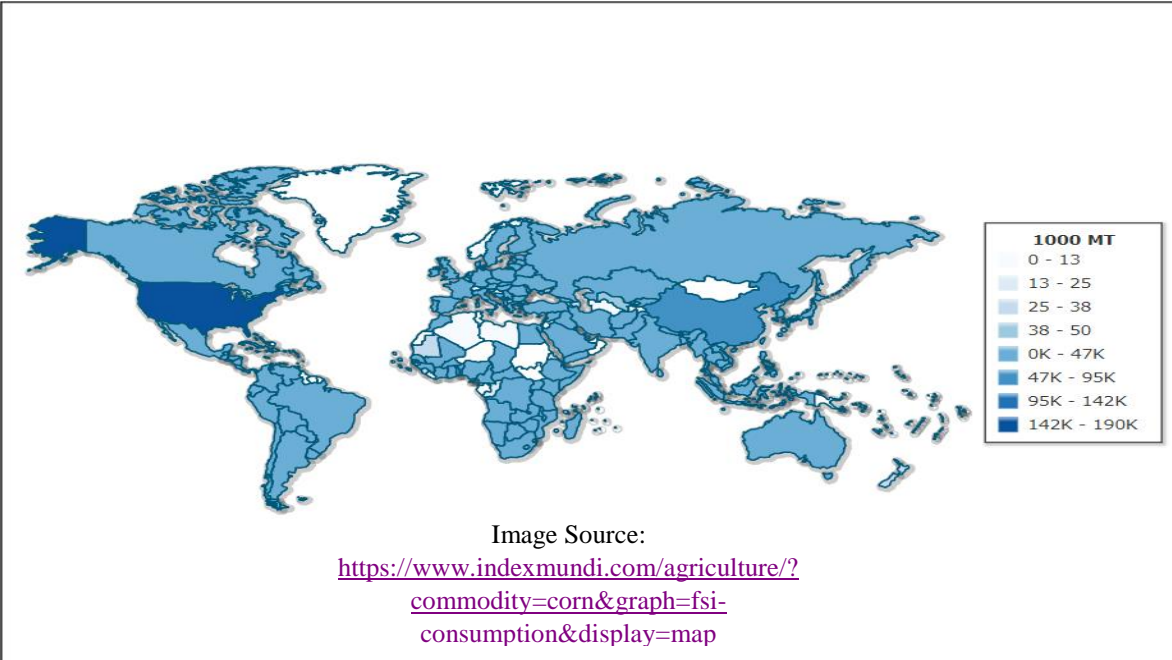


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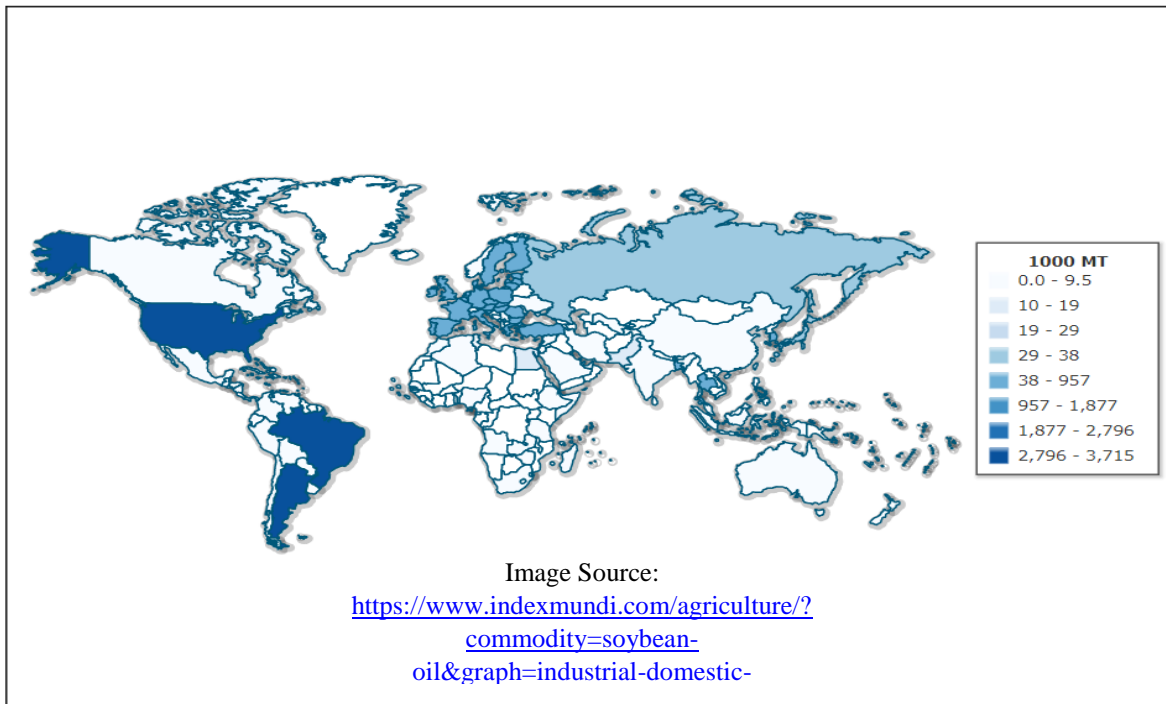


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Corn FSI Consumption by Country in 1000 MT - Map



Soybean Oil Industrial Domestic Consumption by Country in 1000 MT - Map



Year of Estimate: 2018