



Managing
TIGHT
Crop Profit Margins

December 19th, 2024

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Retired ISU Extension Farm Management Specialist

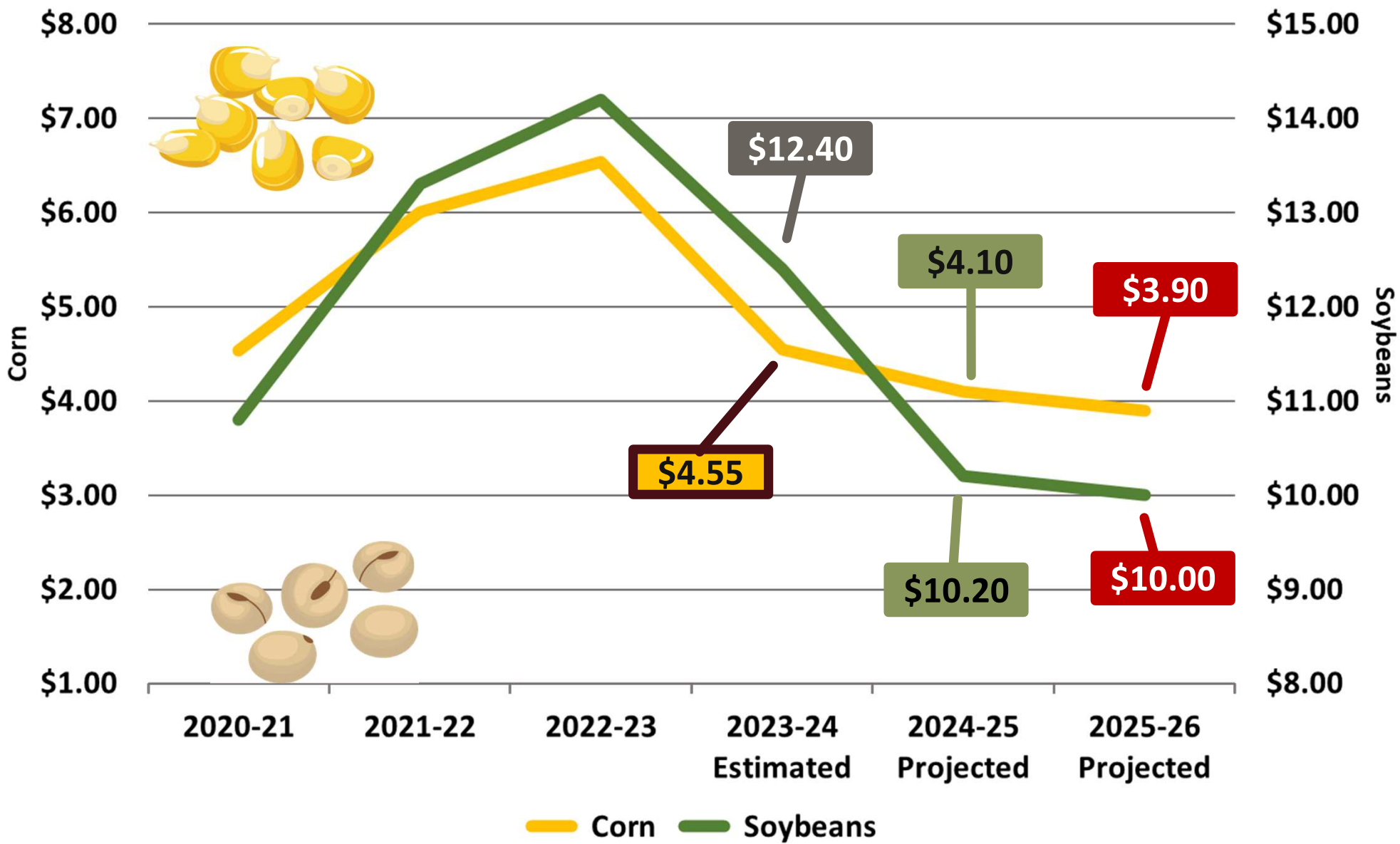
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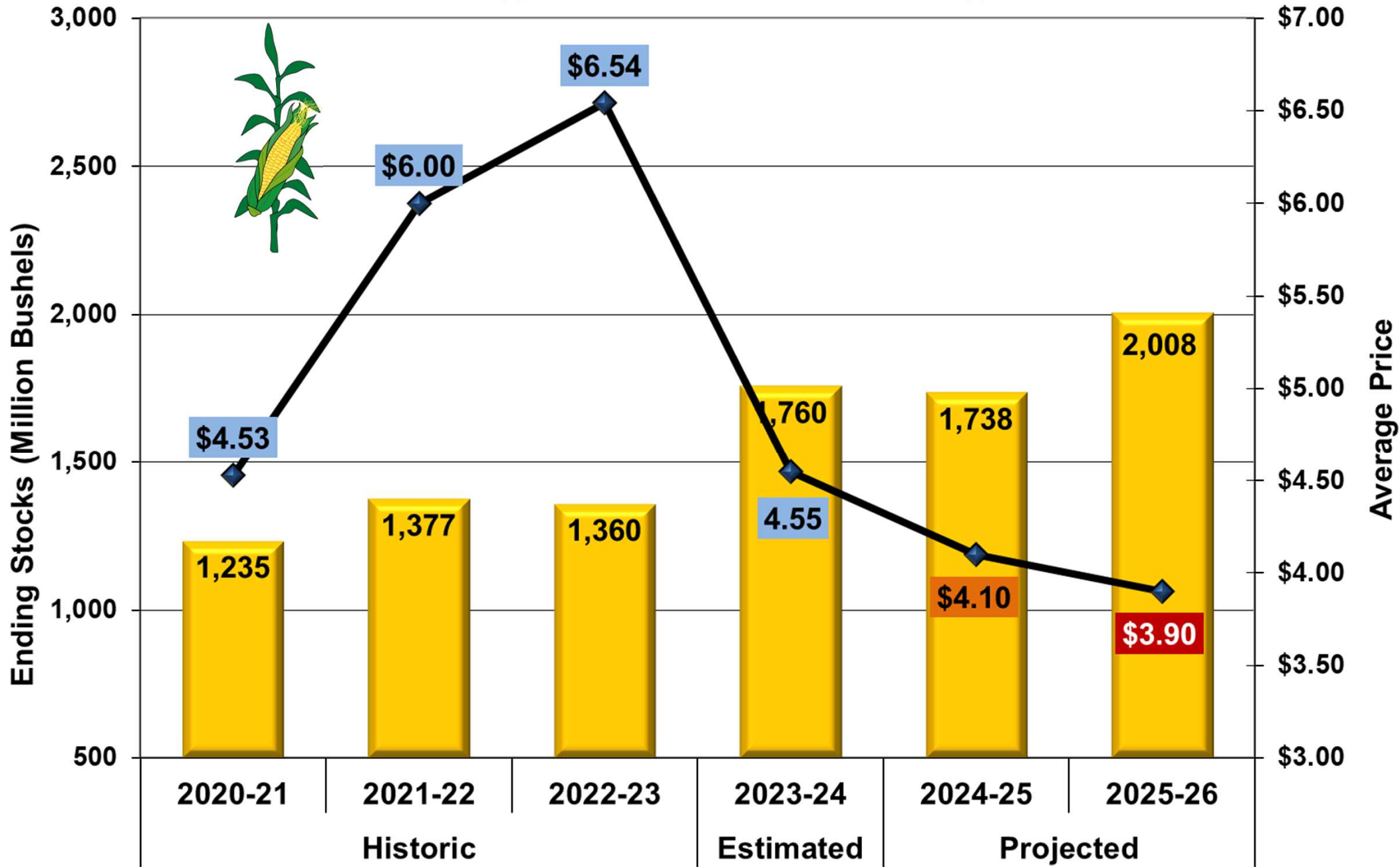
Topics of Discussion

- **Discuss Market Year Average (MYA) Cash Prices**
- **Highlight '24 & '25 Crop Supply/Demand & Cash Prices**
- **Review Projection for '24 Net Farm Income plus '24 & '25 Crop Costs & Returns**
- **Discuss 5 Strategies for Managing Tight Margins**
- **Understand Current Farm Program & Crop Insurance Decisions**
- **Develop Crop Marketing Plans with both Price & Time Targets for the '25 Crop**
- **Provide Crop Risk Management Web Sites**

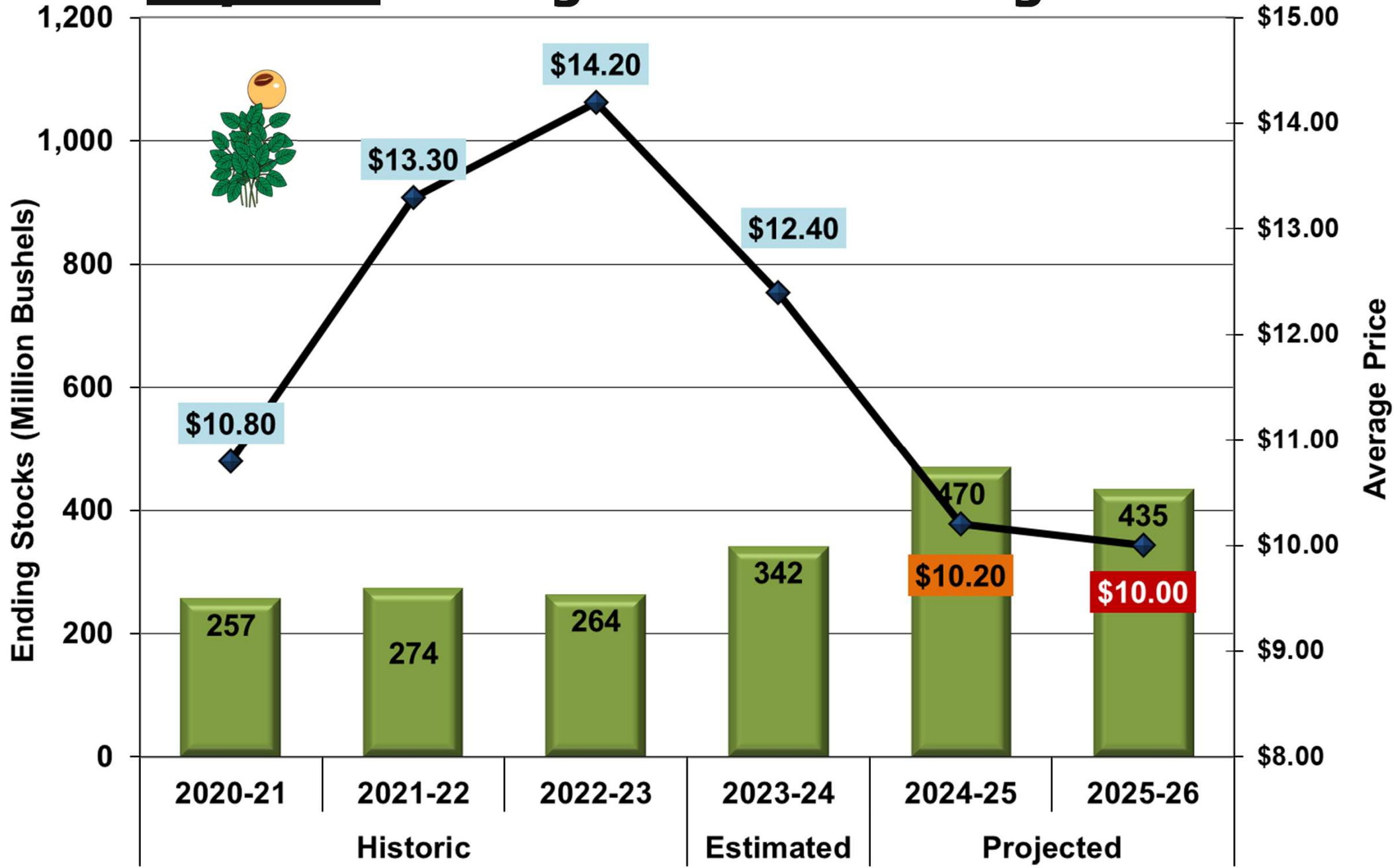
Market Year Average Cash Prices



U.S. Corn Ending Stocks & Average Cash Price

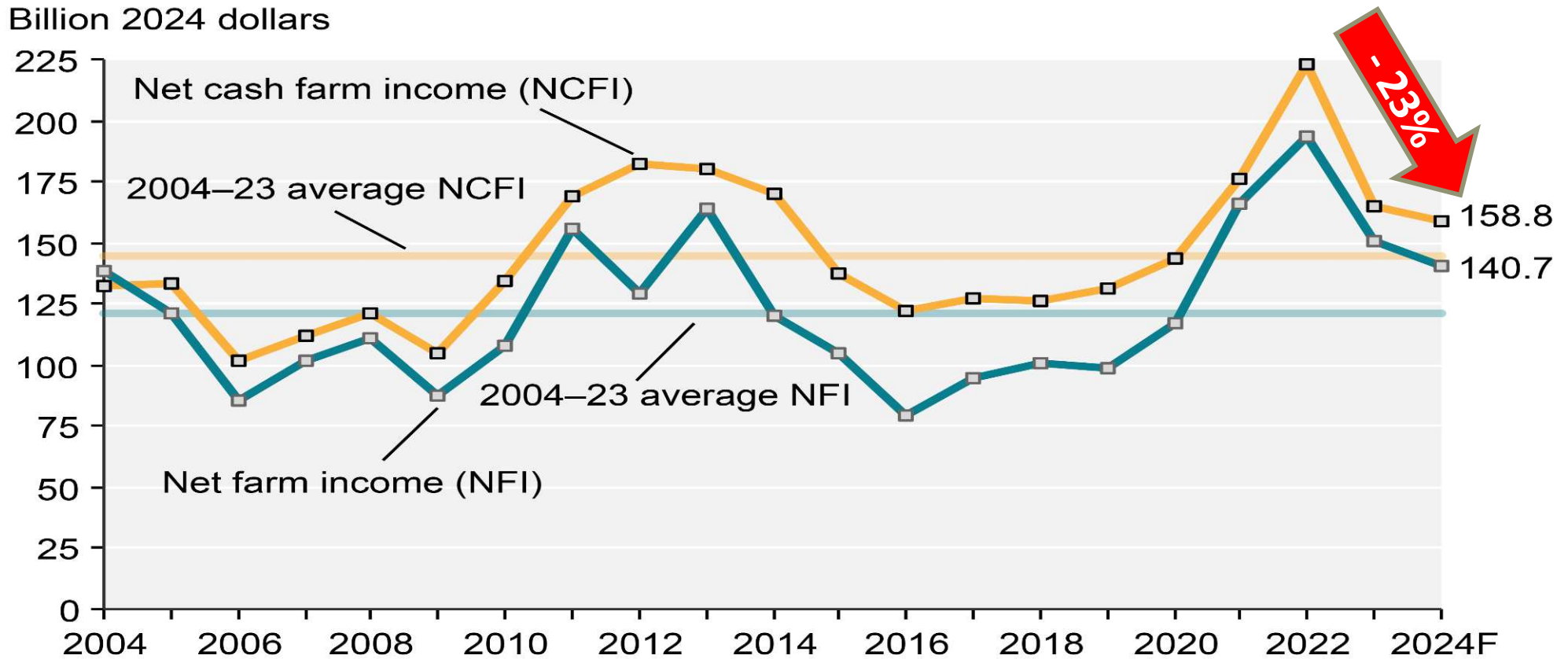


U.S. Soybean Ending Stocks & Average Cash Price



ERS '24 Net Farm Income Projection

U.S. net farm income and net cash farm income, inflation adjusted, 2004–24F



Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of December 3, 2024.

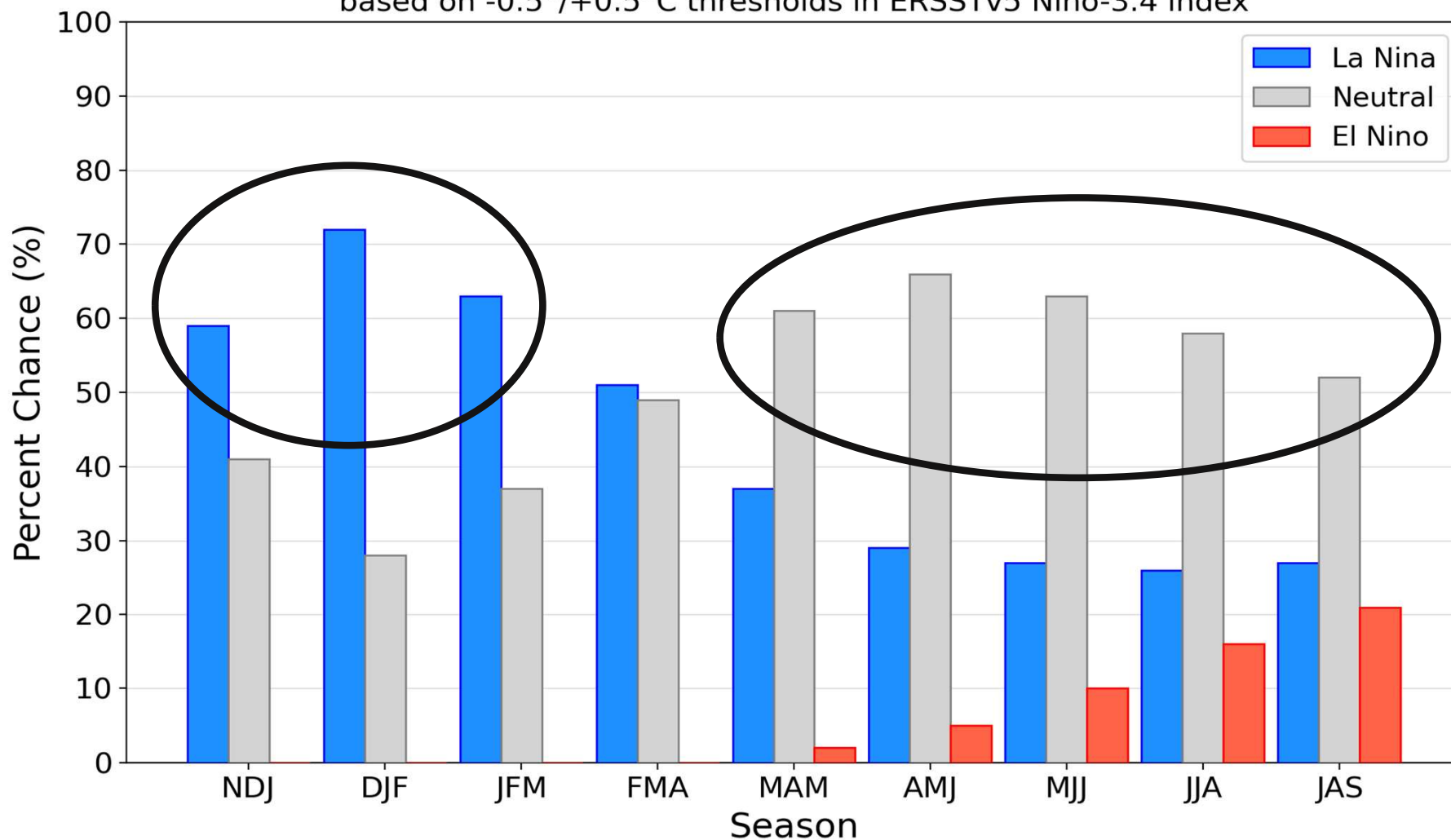
Corn and Soybean Costs & Returns

Northern Illinois, High Productivity	Corn		Soybeans	
	2024P	2025P	2024P	2025P
Yield per Acre	223	230	68	69
Price per Bu	\$4.50	\$4.25	\$11.30	\$10.25
Crop Revenue	\$1,004	\$978	\$768	\$707
Direct Costs	\$467	\$442	\$228	\$215
Power Costs	\$196	\$184	\$162	\$157
Overhead	\$131	\$122	\$100	\$93
Total Non-Land Costs	\$794	\$748	\$490	\$465
Operator & Land Return	\$210	\$230	\$278	\$242
Cash Rent	\$318	\$315	\$318	\$315
Farmer Return	-\$108	-\$85	-\$40	-\$73

El Niño Southern Oscillation (ENSO) Forecast (Odds favor ENSO Neutral thru Late Summer)

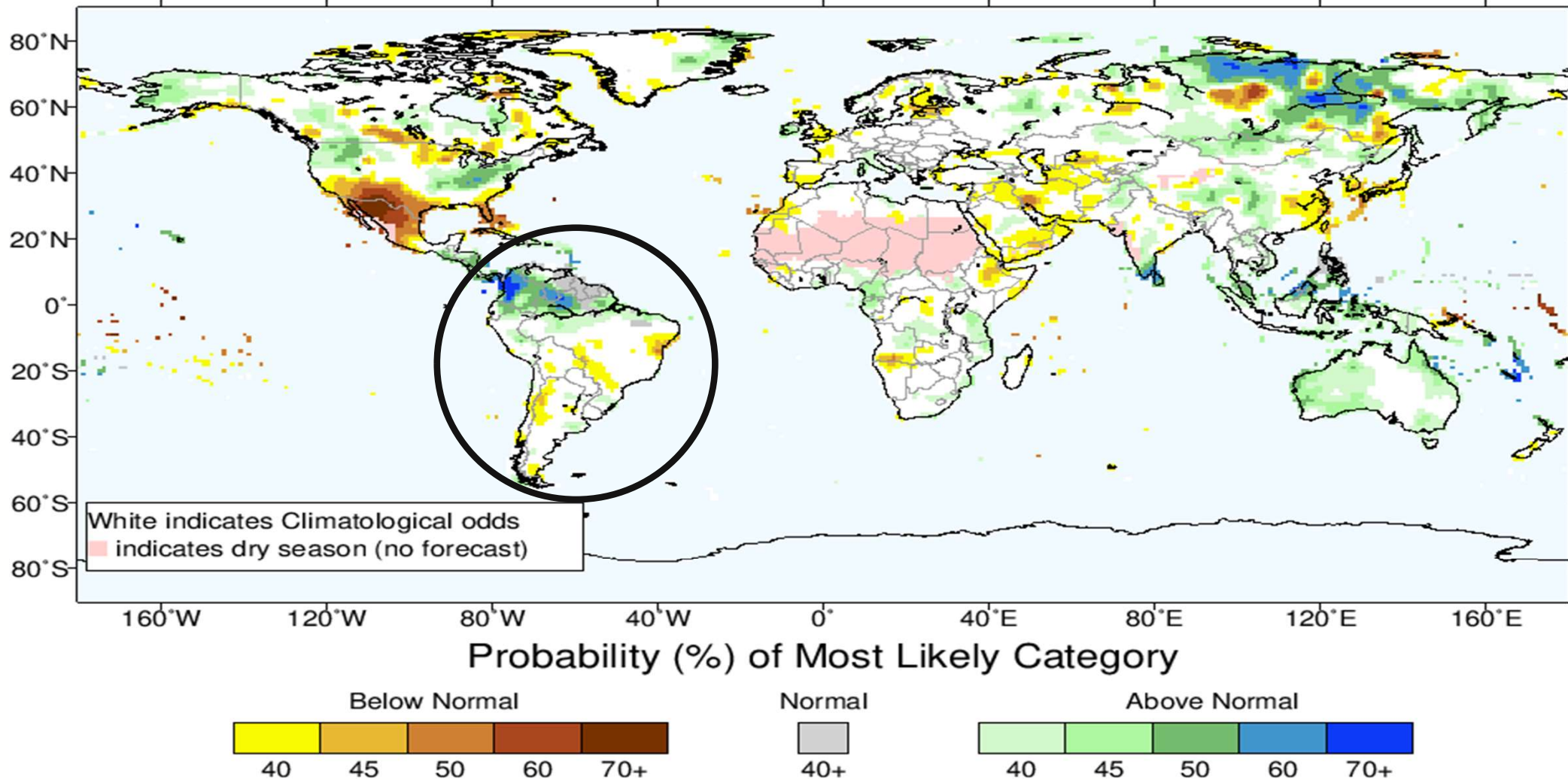
Official NOAA CPC ENSO Probabilities (issued December 2024)

based on $-0.5^{\circ}/+0.5^{\circ}\text{C}$ thresholds in ERSSTv5 Niño-3.4 index



El Niño Southern Oscillation (ENSO) (Winter Forecast)

IRI Multi-Model Probability Forecast for Precipitation for
January-February-March 2025, Issued December 2024



5 Strategies for Managing Margins

(adapted from Plastina, ISU Econ & AgDM)

#1: Protect Working Capital

Consider revising scale of operation

Selling off non-earning assets

Work with your income tax advisor

#2: Stay Focused on Cash Flow

Work with creditors

Payoff '24 operating & term debt

Consider '25 cash flow planning.

5 Strategies (Continued)

(adapted from Plastina, ISU Econ)

#3: Reduce Production Costs

Utilize discounts for cash, volume & early purchases

Improve agronomic & financial decision-making

#4: Revise Family Living Expenses

Good records, know family living withdrawal

Establish a plan to control living expenses

Limit financing multiple family members.

5 Strategies (Continued)

(adapted from ISU Iowa Commodity Challenge)

#5: Manage Market Price Risks

Know your cost of production by:
crop, farm, field & rotation

Develop & Implement Written Crop Marketing
Plans

Use both Price or Date Objectives (whichever
occurs first)

Utilize RP Crop Insurance, consider committing
insurance bushels to delivery: (avoid
commercial storage, drying, shrink & interest
costs.)

Consider '25 New Crop Marketing Plans
Provided

'24 & '25 Commodity Crop Safety Nets

Shallow Loss Products
SCO, ECO or Margin Protection

Crop Insurance Agent

CROP INSURANCE

Farm Service Agency

ARC
AGRICULTURE RISK COVERAGE

OR

PLC
PRICE LOSS COVERAGE

Marketing Assistance Loan (MAL) and Loan Deficiency Payments (LDP) National Rates:

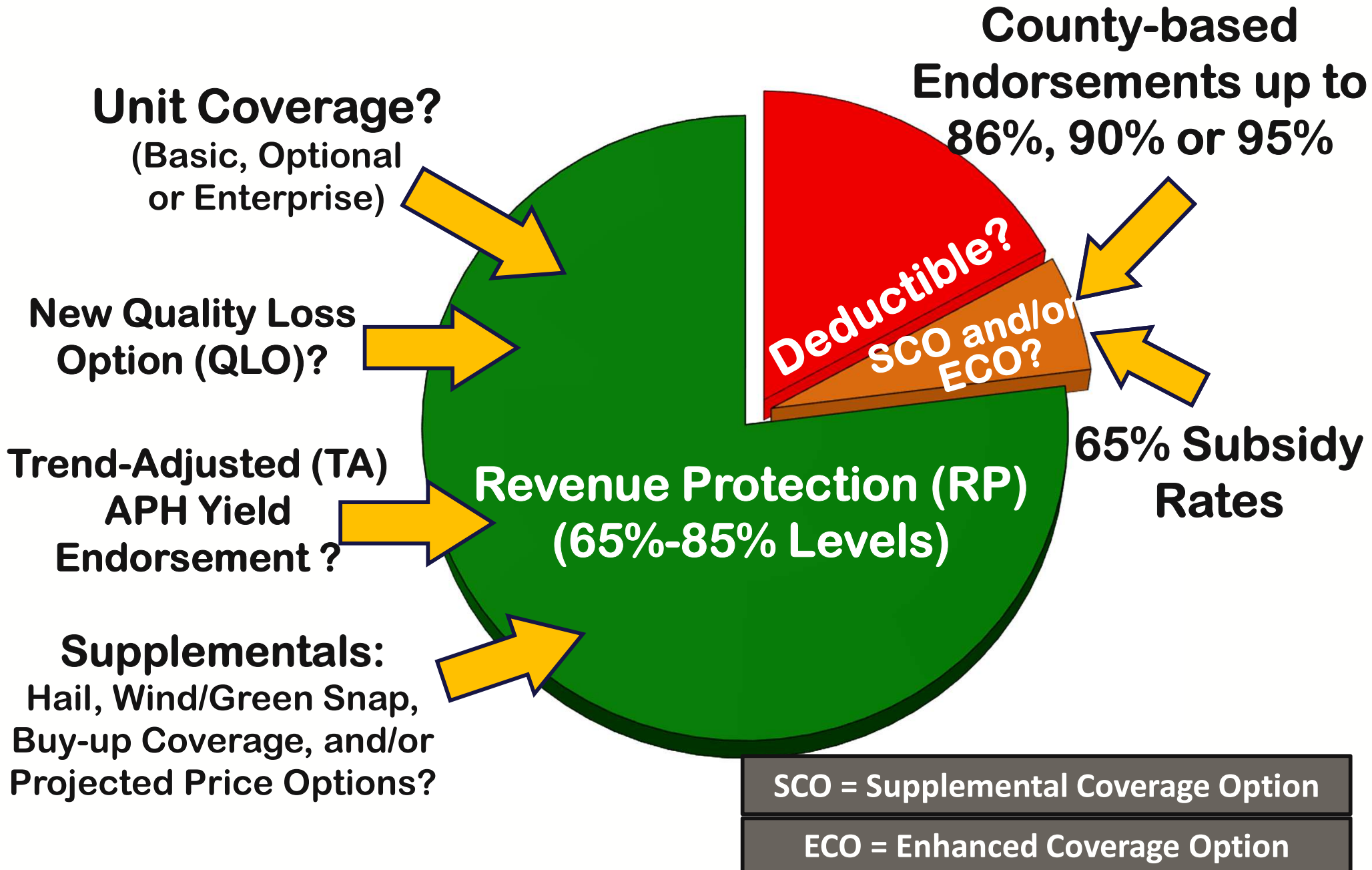
\$6.20/bu Soybeans

\$2.20/bu Corn

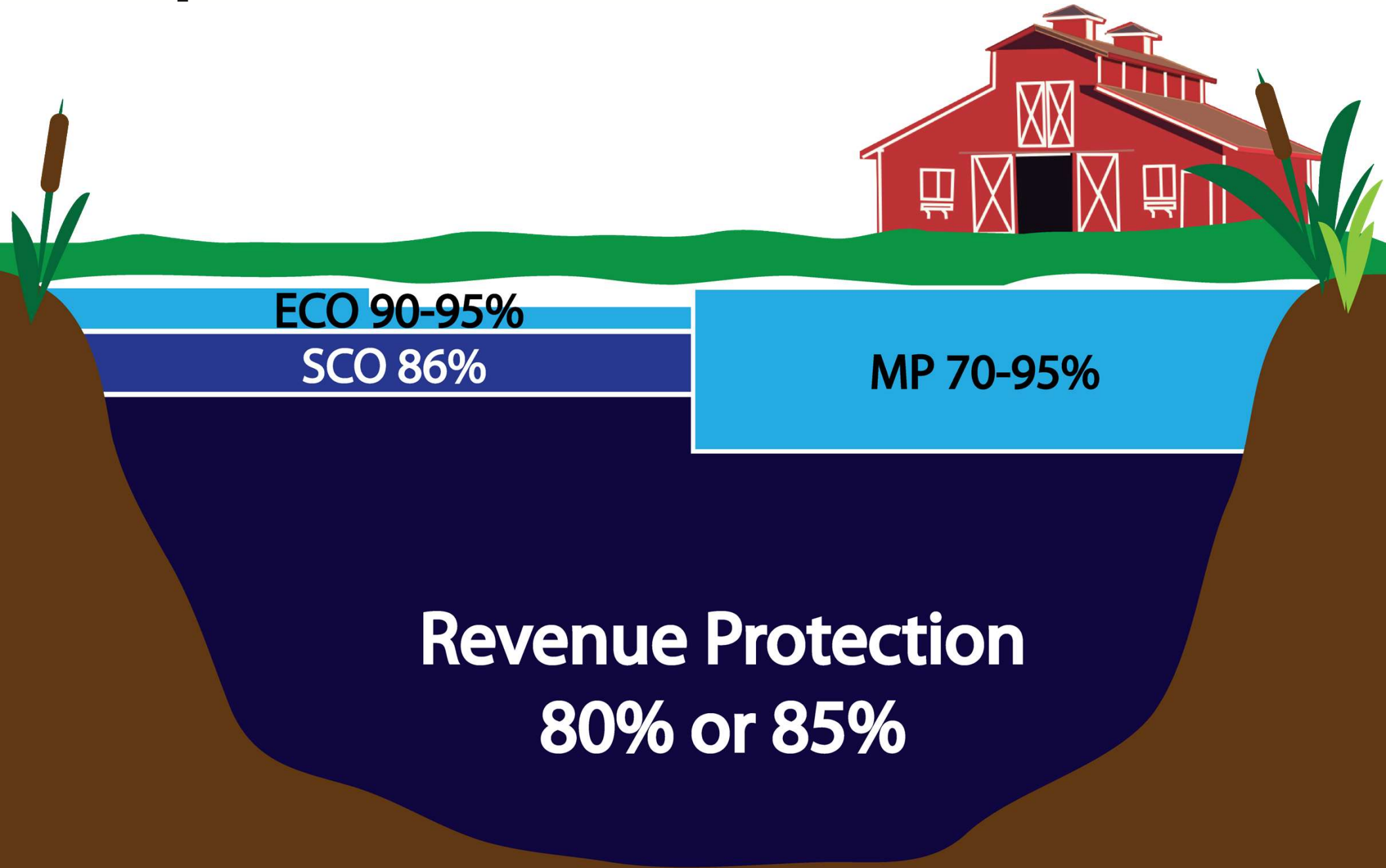
ARC, PLC & MYA Prices

<u>Corn</u>	<u>'23 Crop</u>	<u>'24 Crop</u>
PLC Eff. Reference Price	\$3.70	\$4.01
ARC Benchmark Price	\$3.98	\$4.85
Actual & Projected MYA	\$4.55	\$4.10
<u>Soybeans</u>		
PLC Eff. Reference Price	\$8.40	\$9.26
ARC Benchmark Price	\$9.57	\$11.12
Actual & Projected MYA	\$12.40	\$10.20

'25 Crop Insurance Decisions



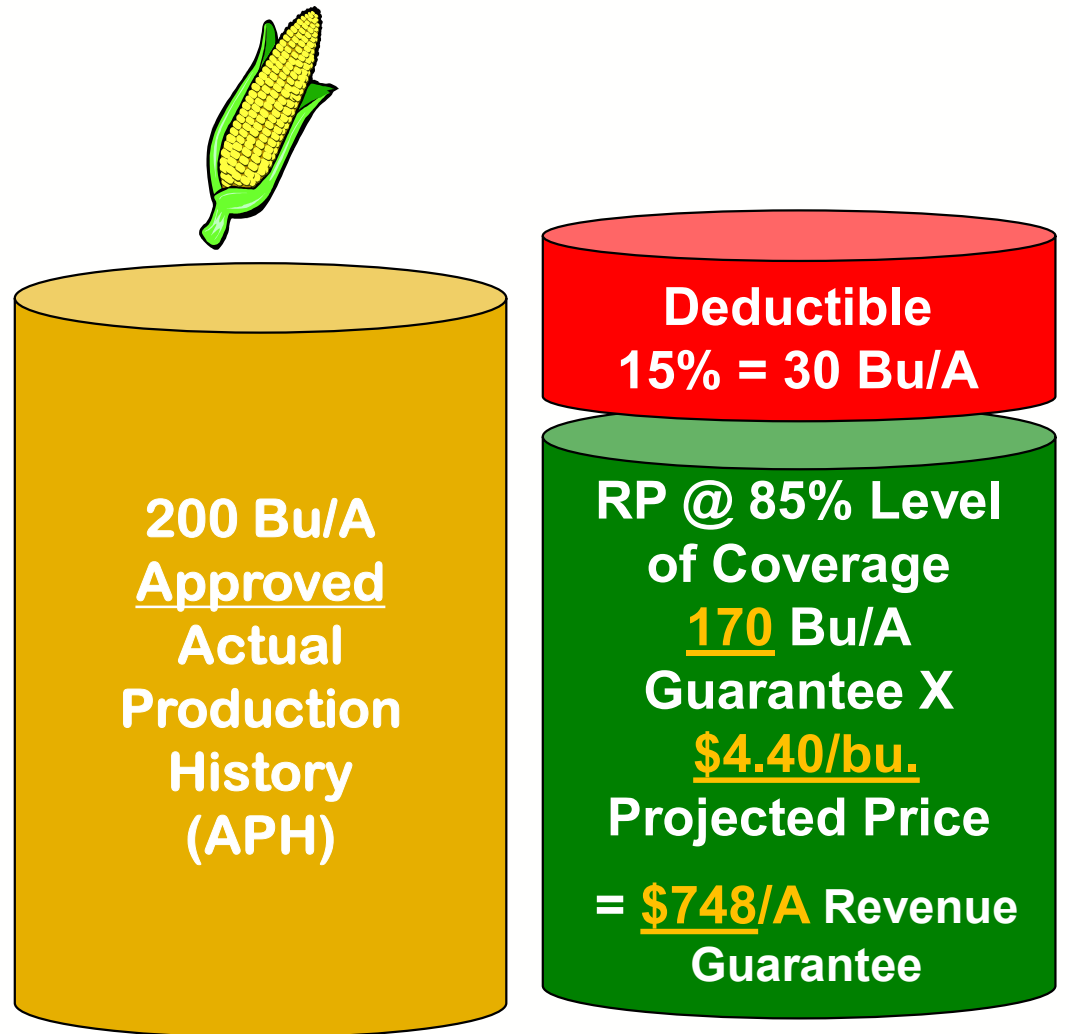
Crop Insurance & Shallow Loss Products



Pre-Harvest Marketing Corn Bushels with Revenue Protection (RP) Crop Insurance

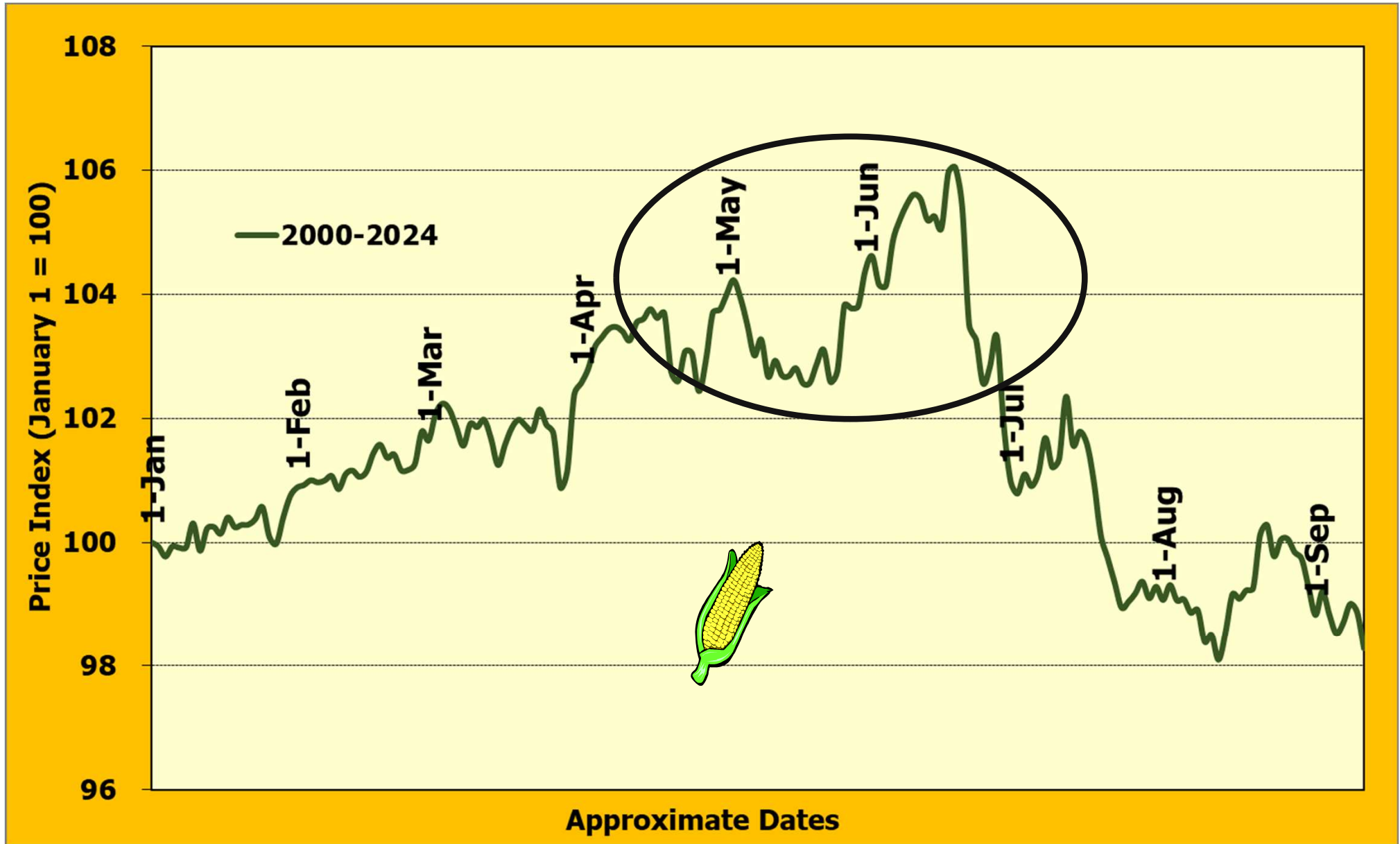
Marketing Strategy

- Pre-Harvest Sell for Delivery up to 170 Bu/A
 - Forward Cash, HTAs
- Non-Delivery Bushels
 - Hedges & Options
- Price Guarantee is Higher of the Projected Price vs. Harvest Price
- Slight Basis Risk
- Must Plant the Crop
(Prevented Planting = 55%)

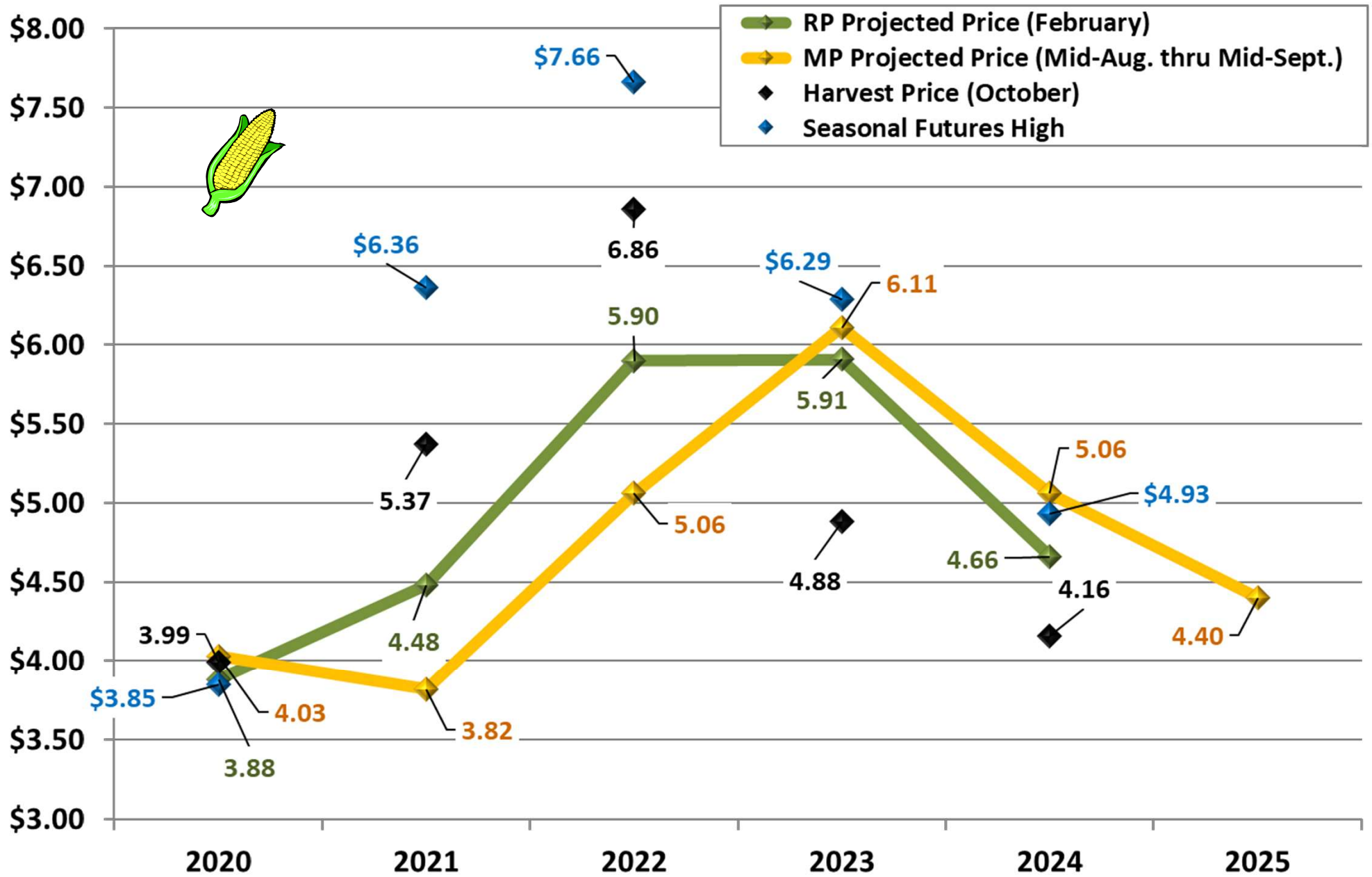


*Spring '25 Projected Price

December Corn Seasonal Trends (2000-2024 Futures Indexed)



Corn Insurance Prices vs. Seasonal Futures Highs

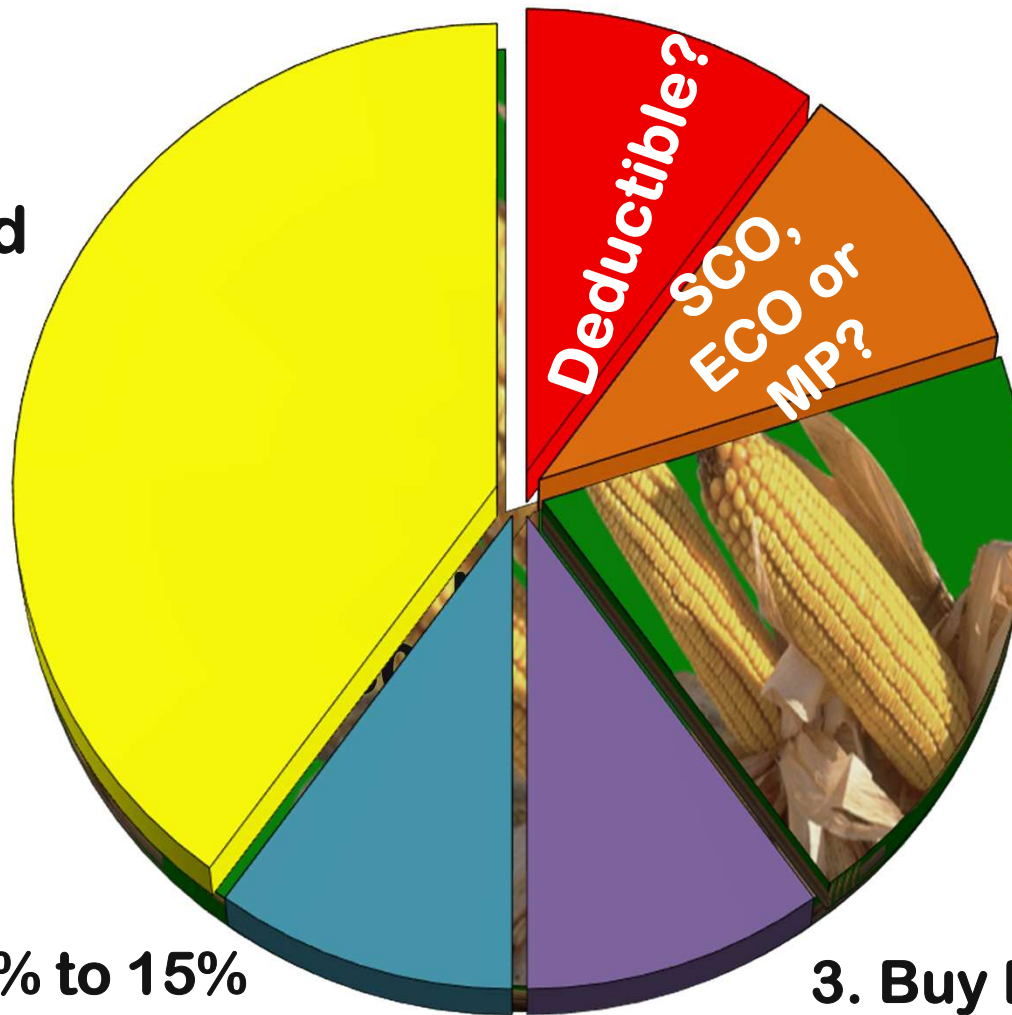


December '25 Corn Futures Chart



Pre-Harvest Marketing Strategies & Tools (Example Only)

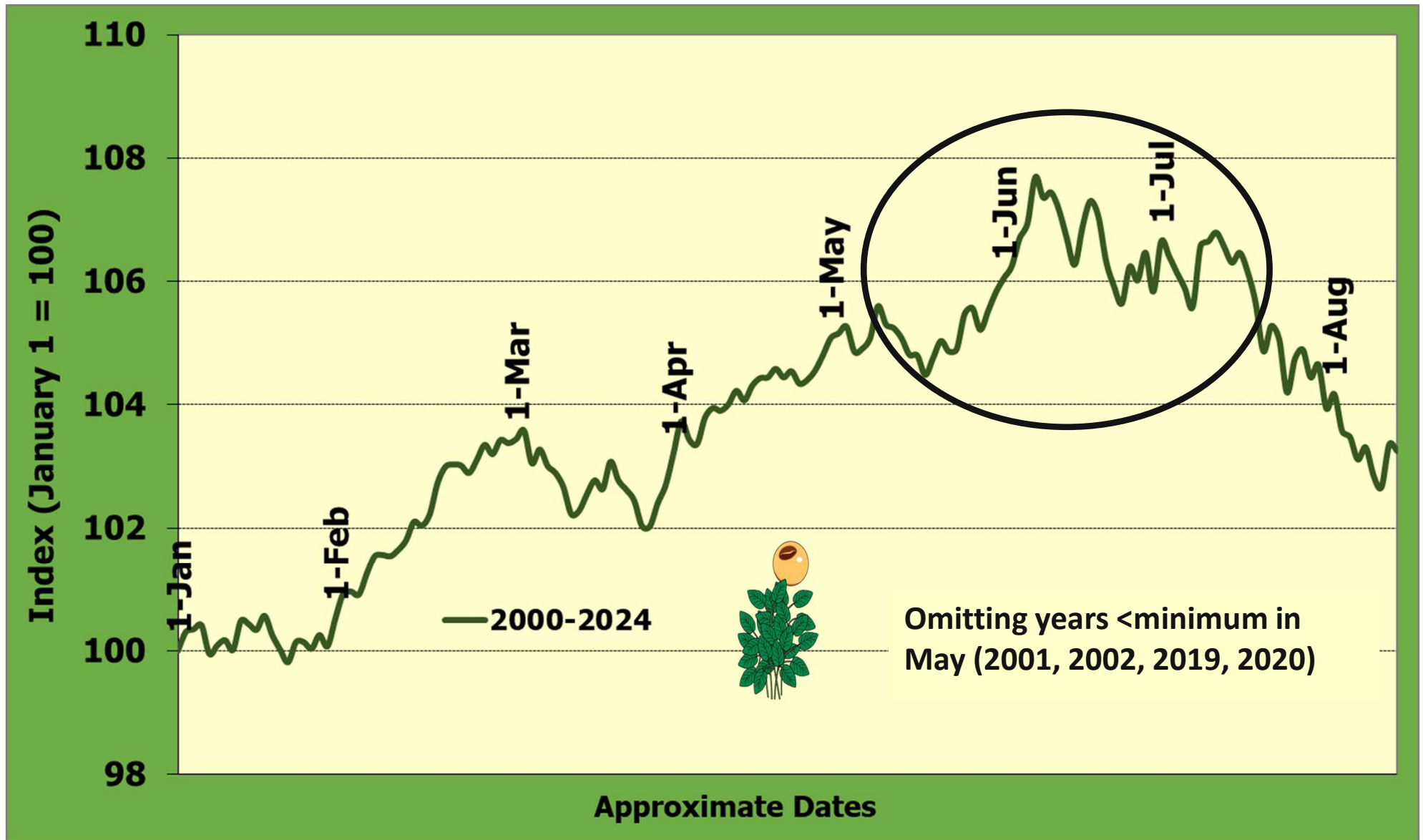
1. Pre-Harvest Market 50% to 70% of Approved APH Bushels: Forward Cash and/or HTA Contracts (Delivery)



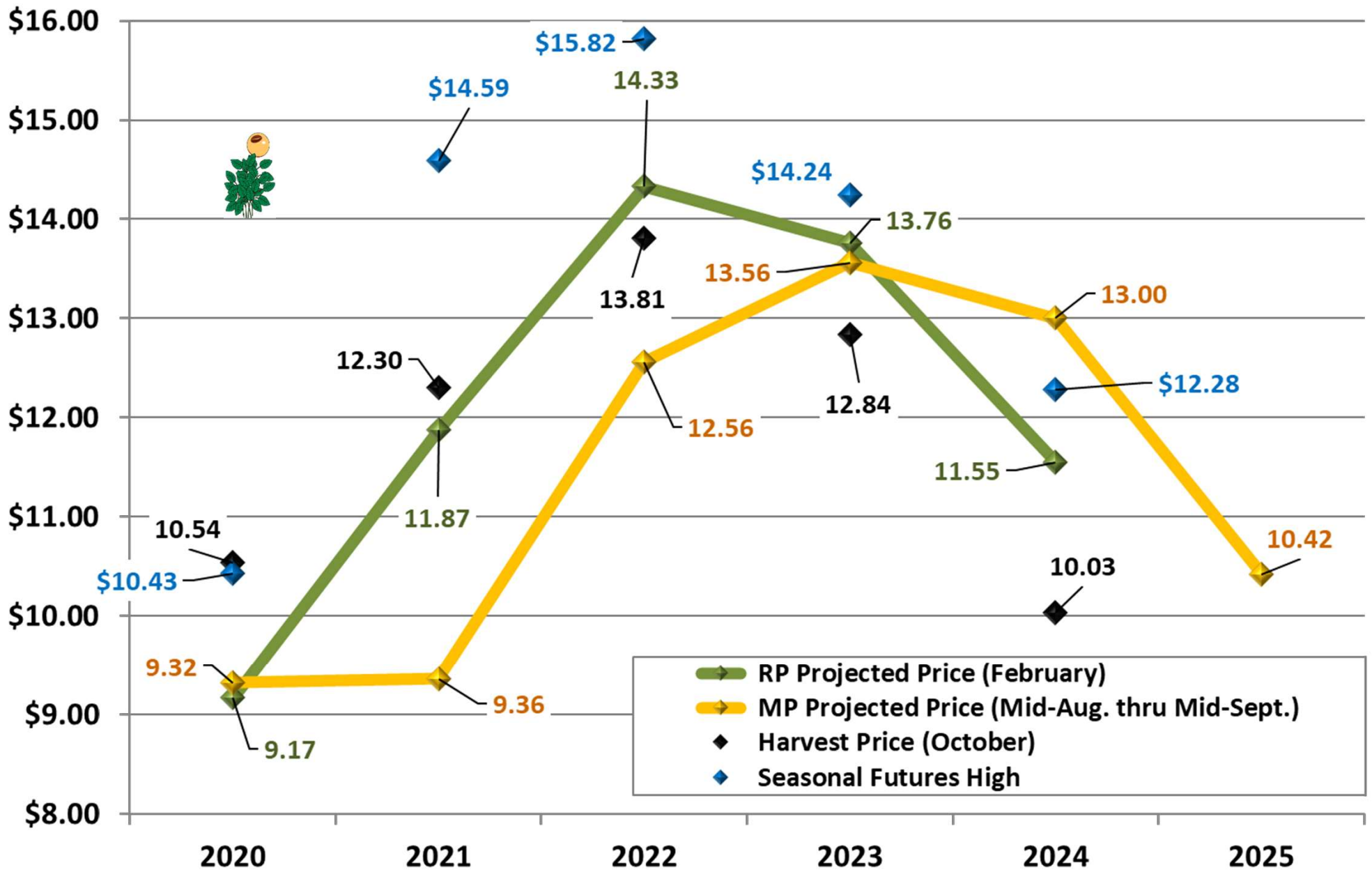
2. Hedge 10% to 15% of APH Bushels (Non-Delivery)

3. Buy Put Options on 10% to 15% of APH Bushels (Non-Delivery)

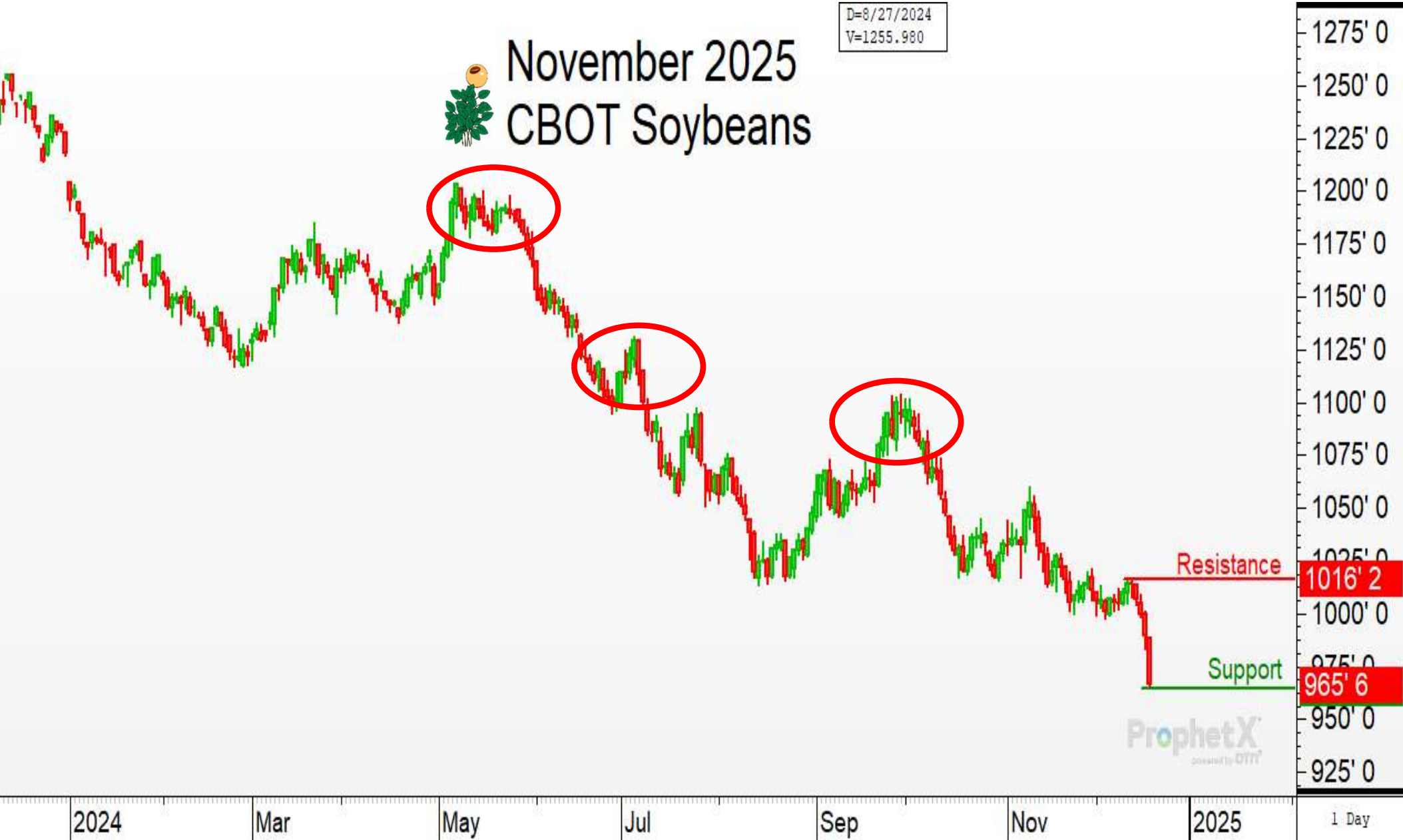
November Soybean Seasonal Trends (2000-2024 Futures Indexed)



Soybean Insurance Prices vs. Seasonal Futures Highs



November '25 Soybean Futures Chart



'25 Crop Pre-Harvest Marketing Plans

• Corn

- Currently 20% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Dec. '25 Corn Futures hit \$4.55/bu, \$4.75/bu & \$4.95/bu
- Spring Sales: Get up to 80% of Approved APH bushels sold by Price or Date; April 15, May 1 & 15 & 30, June 16.

• Soybeans

- Currently 20% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Nov. '25 Soybeans Futures hit \$11/bu, \$11.25 bu & \$11.75/bu
- Spring Sales: Get up to 80% of Approved APH bushels sold by Price or Date; May 1, 15 & 30, June 16 & 30.

Crop Risk Management Web Sites

- **ISU Extension - Ag Decision Maker** (Monthly e-newsletter, Webinars, Videos, Farm Outlook, Information Files, Decision Tools, Iowa Commodity Challenge, ARC/PLC Information with Iowa Payment Estimator)

www.extension.iastate.edu/agdm

- **U of Illinois Extension - Farm Doc** (Daily e-Newsletter, FAST Tools, Publications, Webinars, Podcasts, Crop Insurance Premium Comparison, Farm Bill & ARC/PLC Payment “What If” Tool)

www.farmdoc.illinois.edu

- **International Institute for Climate and Society** www.iri.columbia.edu
- **Conduit 70+ Weather Maps & Eric Snodgrass/Matt Reardon Free Weekday YouTube Videos**

<https://ag-wx.com>

12-9-24 Recorded Video: “2025 Drought Predictions”

<https://youtu.be/JZz2NXr5yF0>