Managing Price Risk for Corn, Soybean, and Wheat

June 15, 2022
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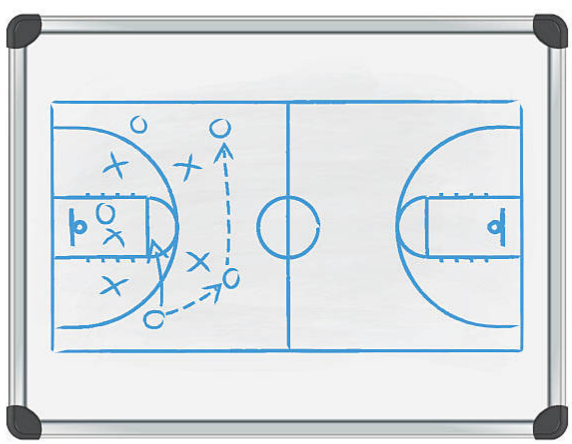
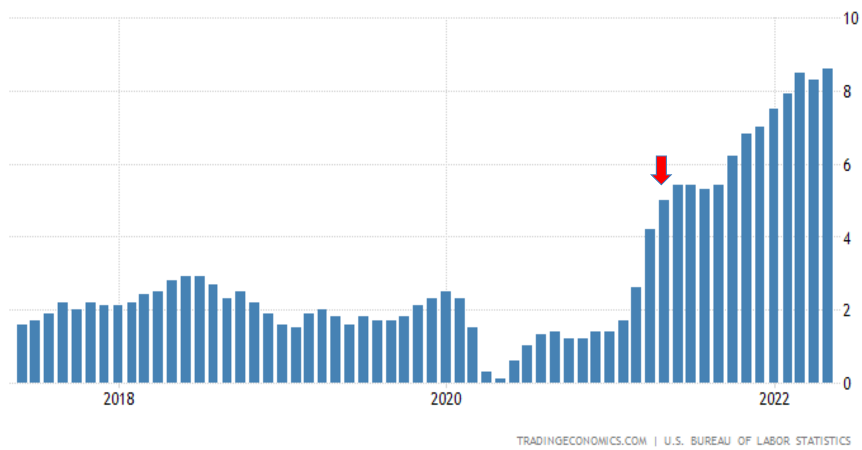
Overview

- Inflation / Interest Rates / Stock Markets
- Ukraine-Russia
- Input prices
- Supply and Demand
- Corn, Soybean, and Prices



Inflation



May +8.6%

Food: +10.1%
Gasoline: +48.7%
Natural Gas: +30.2%
Vehicles: +12.6%

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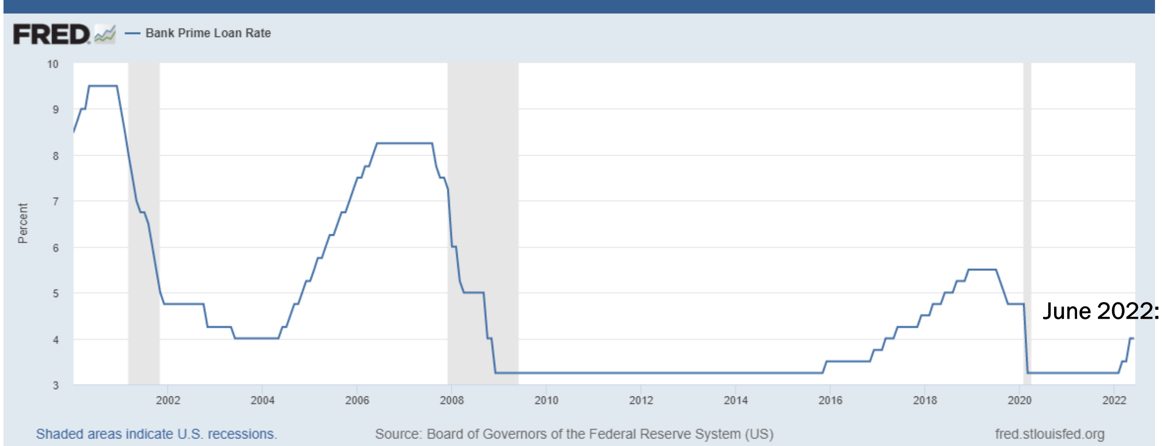
Interest Rates



June 2022: 4%

2-3% increase likely in 2022!

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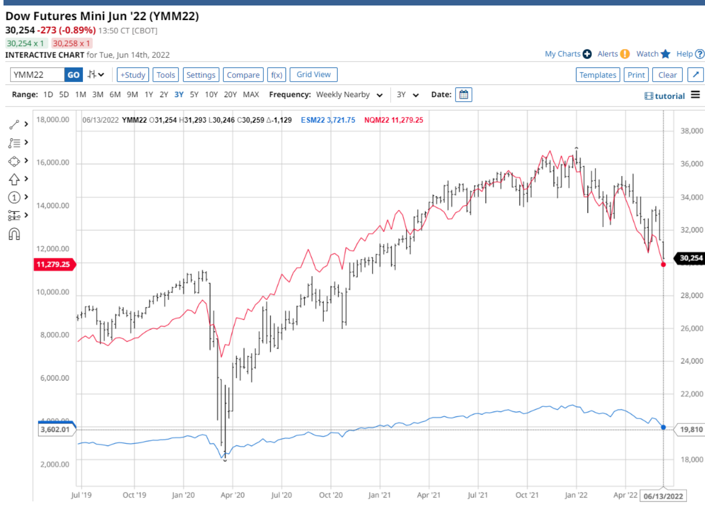
Stock Markets



- DJIA down 16.4% from the High
- S&P 500 down 22.1%
- NASDAQ down 31.9%

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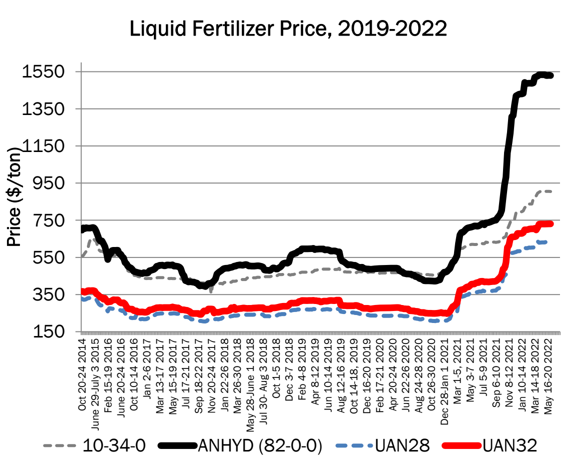
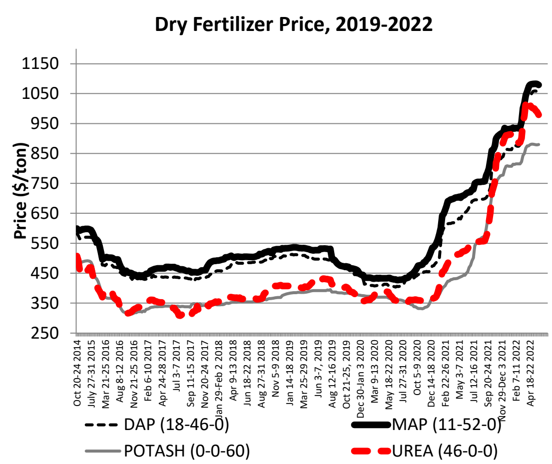
Fertilizer Prices





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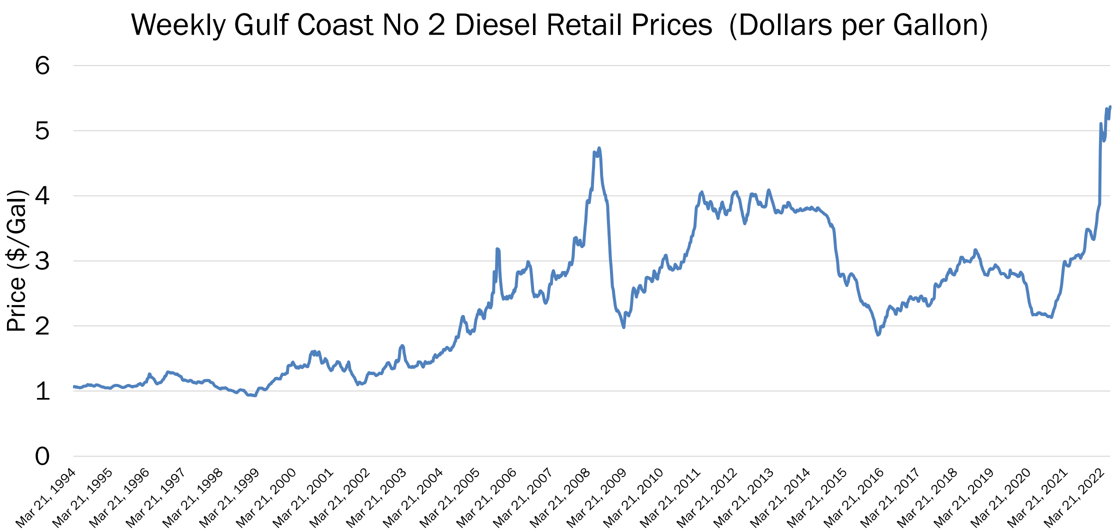
Diesel Prices



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Increased Machinery Costs

2021 Custom Rate:	$ 23.00	$/acre

	Portion of Total Expense	Last Year Expense ($/acre)	Inflation 12 Month % Change for Specified Category	New Market Adjusted Rate ($/acre)
Capital Recovery	66%	$ 15.07	12.6%	$ 16.96
Taxes, Insurance, and Housing	4%	$ 0.81	6.0%	$ 0.86
Fuel	17%	$ 4.00	48.7%	$ 5.94
Repair and Maintenance	6%	$ 1.34	14.0%	$ 1.53
Labor	8%	$ 1.79	12.0%	$ 2.01
	100%	$ 23.00	**18.7%**	$ 27.29

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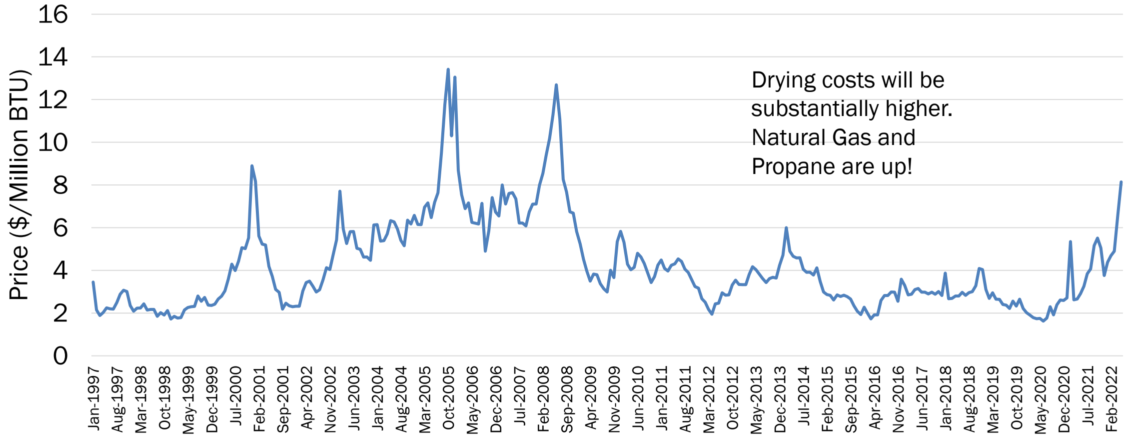
Natural Gas Price



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Ukraine

	Corn	Soybean	Wheat
Production (Compared to Last Year)	-25.7%	-30.4%	-23.0%
Exports (Compared to Last Year)	-63.8%	-38.3%	-44.8%
5-year Average Ukraine Share of Global Exports	14.0%	1.3%	9.5%
2022/23 Ukraine Share of Global Exports	4.9%	0.8%	4.9%

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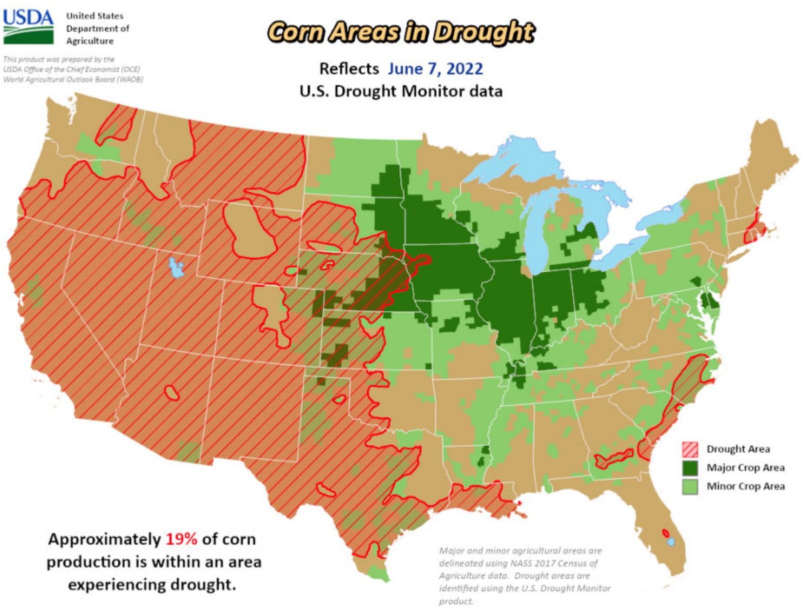

- Most of Corn Belt has sufficient moisture.
- Wet conditions for planting in the northwest Corn Belt.
- Late planting.
- June 30 Acreage Report

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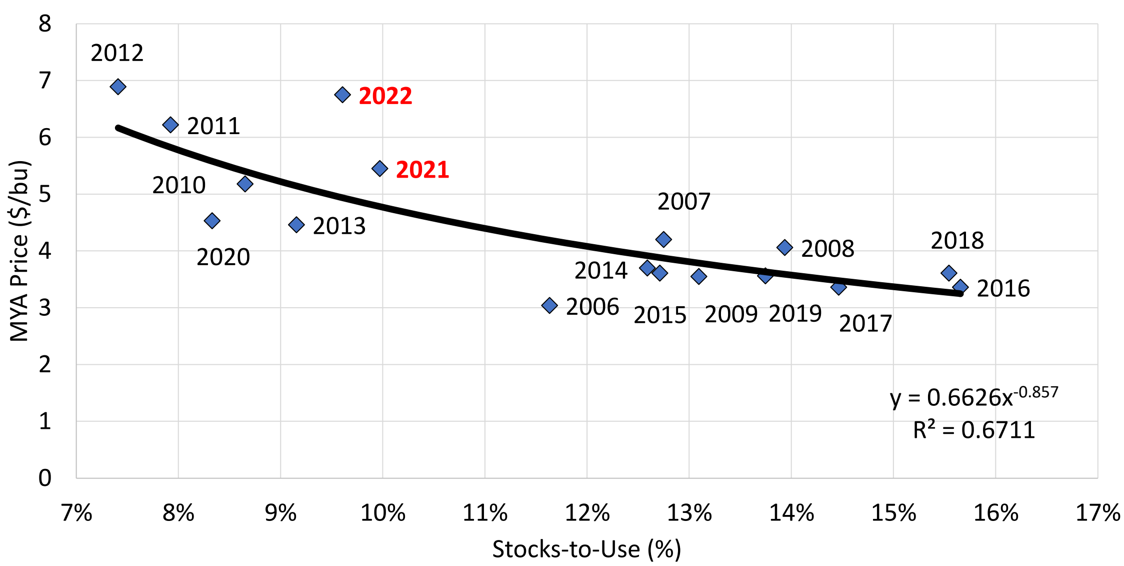
U.S. Corn Stocks-to-Use, 2006-2022*



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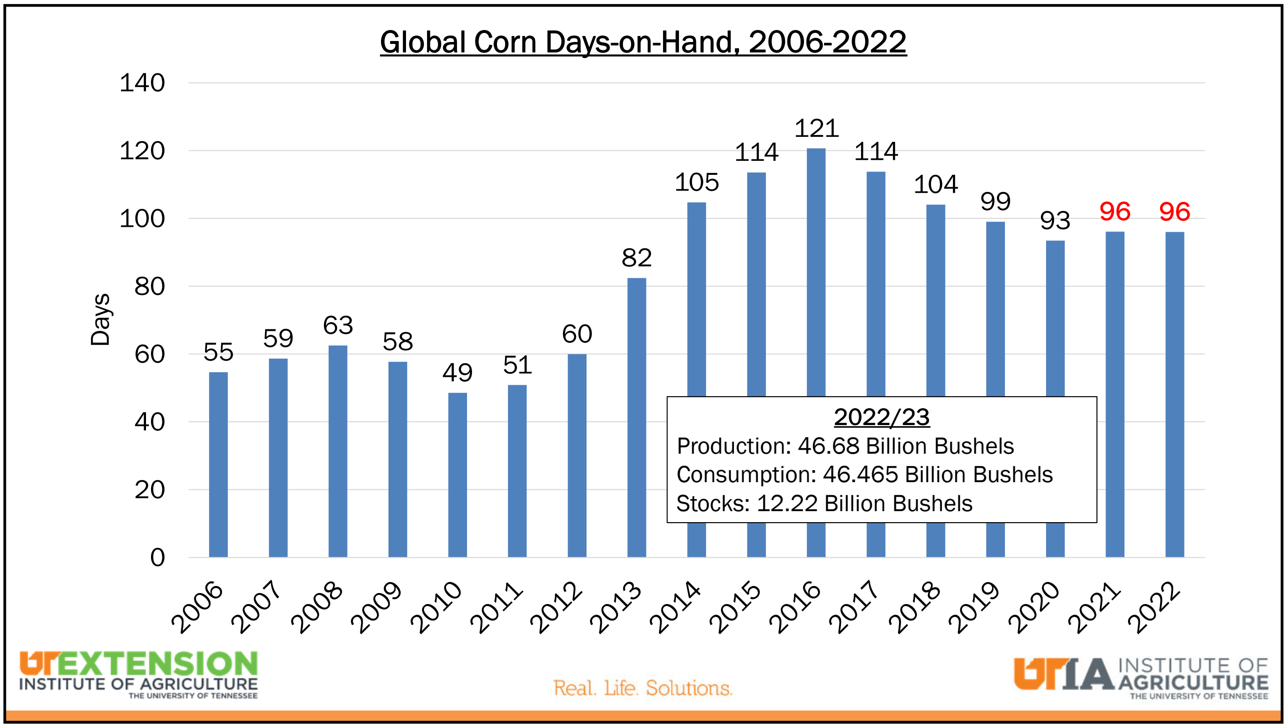
Global Corn Days-on-Hand, 2006-2022
Days
140
120
100
80
60
40
20
0
55
59
63
58
49
51
60
82
105
114
121
114
104
99
93
96
96
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2022/23
Production: 46.68 Billion Bushels
Consumption: 46.465 Billion Bushels
Stocks: 12.22 Billion Bushels
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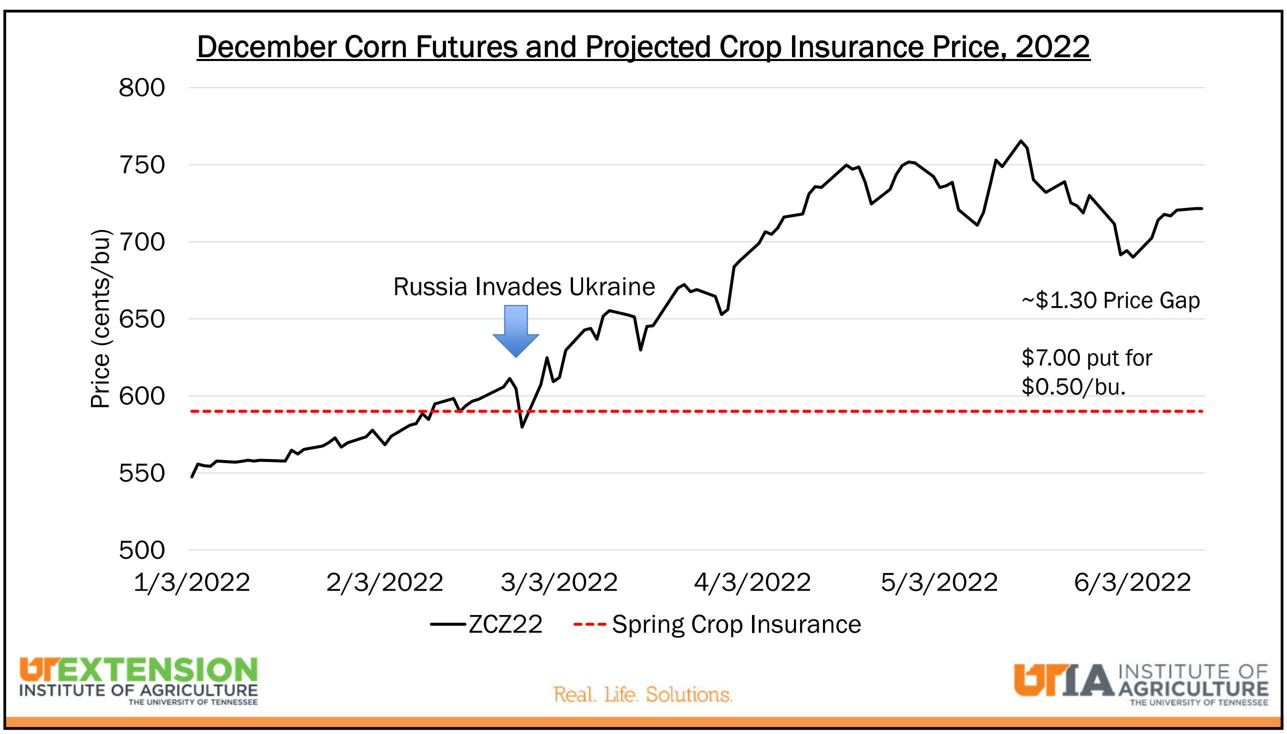
December Corn Futures and Projected Crop Insurance Price, 2022
Price (cents/bu)
800
750
700
650
600
550
500
1/3/2022
2/3/2022
3/3/2022
4/3/2022
5/3/2022
6/3/2022
Russia Invades Ukraine
~$1.30 Price Gap
$7.00 put for
$0.50/bu.
ZCZ22
Spring Crop Insurance
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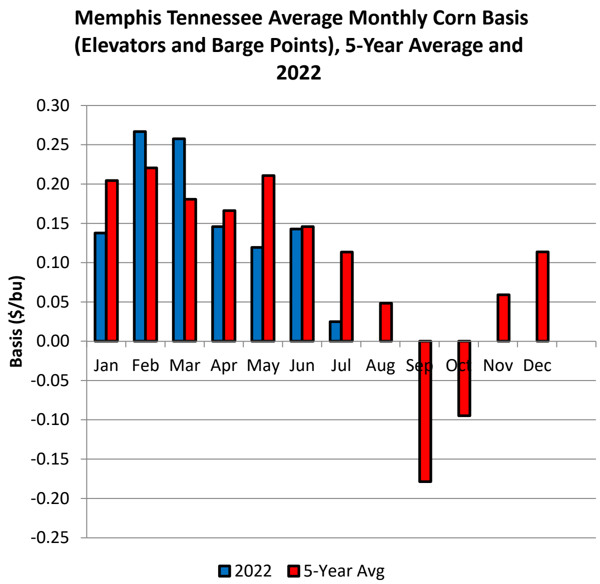

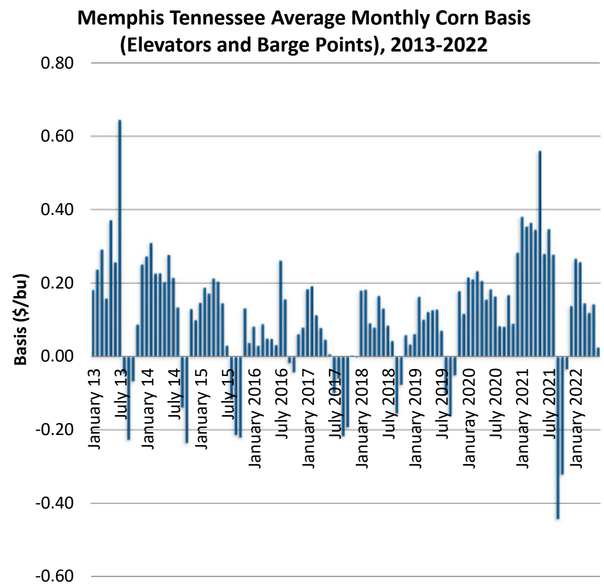

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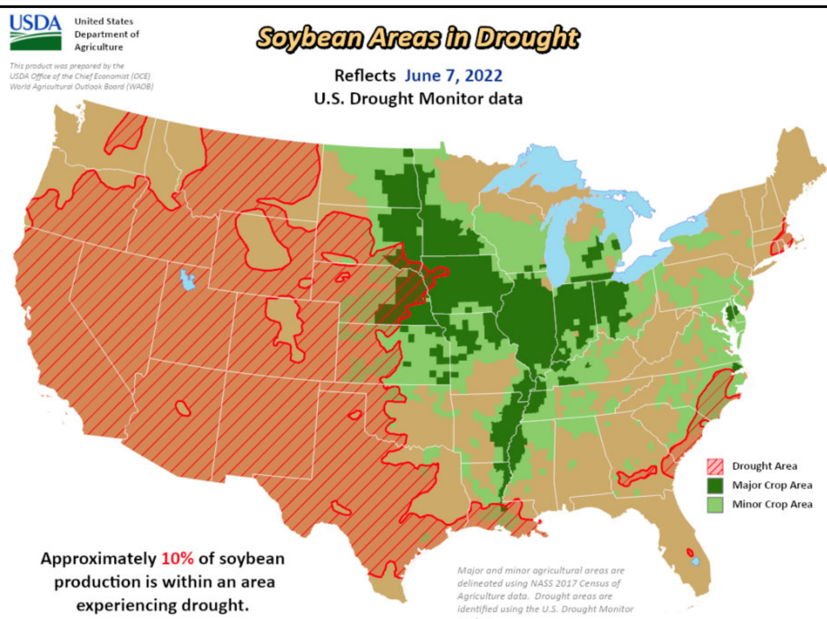

- 500-600 million bushels of additional crush capacity coming online.
  - Implications for planted acres
  - Exports
  - Feed

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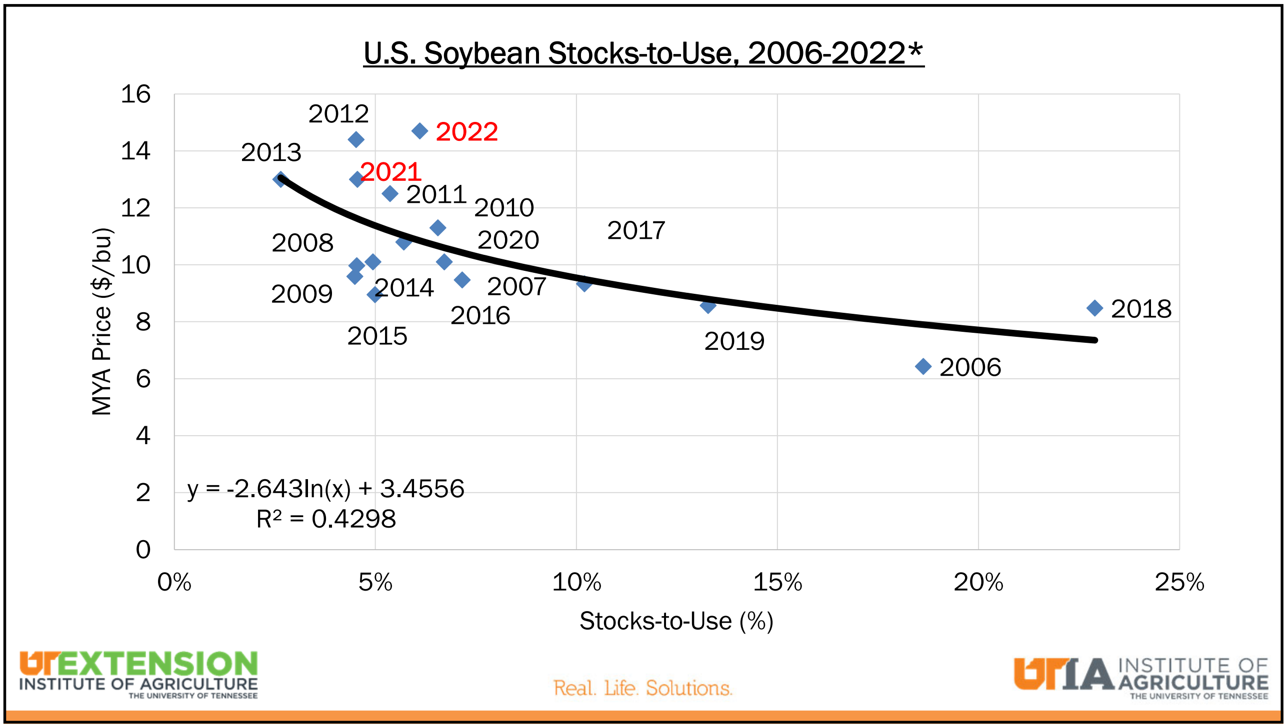
U.S. Soybean Stocks-to-Use, 2006-2022*
MYA Price ($/bu)
Stocks-to-Use (%)
2012
2022
2013
2021
2011
2010
2017
2008
2020
2009
2014
2007
2016
2018
2015
2019
2006
y = -2.643ln(x) + 3.4556
R² = 0.4298
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Global Soybean Days-on-Hand, 2006-2022
Days
106
87
75
96
106
82
81
84
95
91
105
107
121
96
100
86
97
2022/23
Production: 14.53 Billion Bushels
Consumption: 13.88 Billion Bushels
Stocks: 3.69 Billion Bushels
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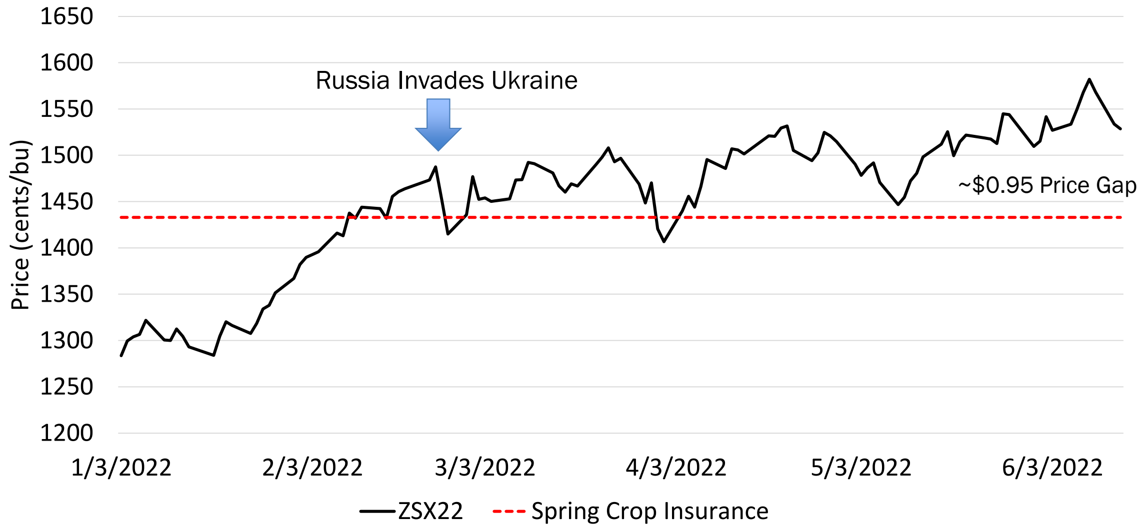
November Soybean Futures and Projected Crop Insurance Price, 2022



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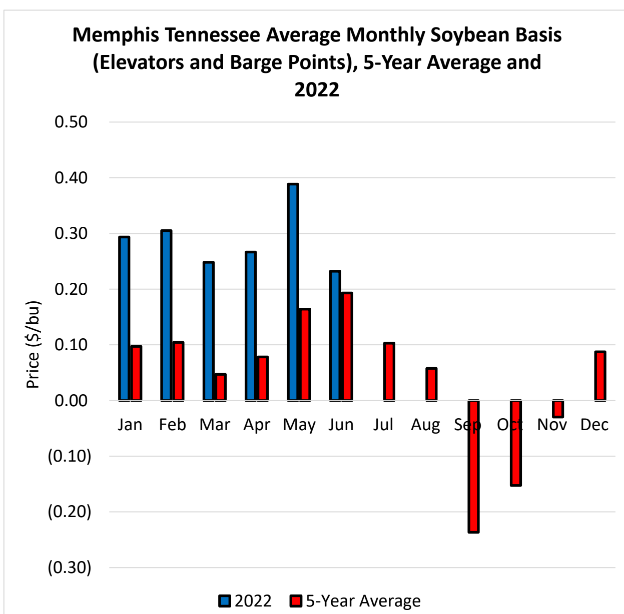

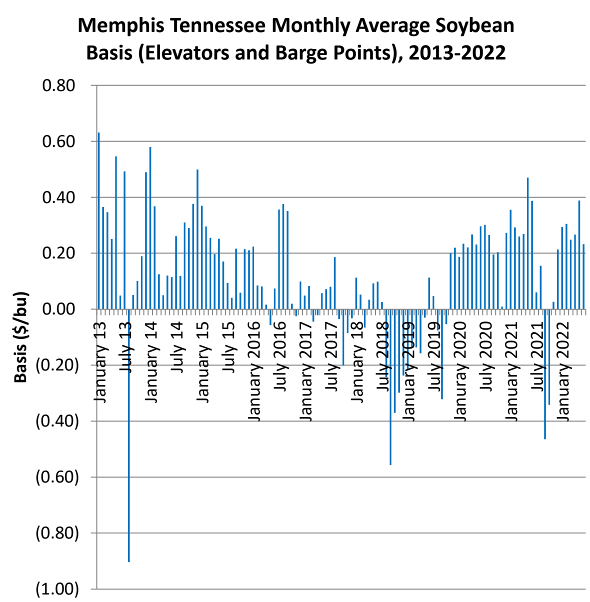

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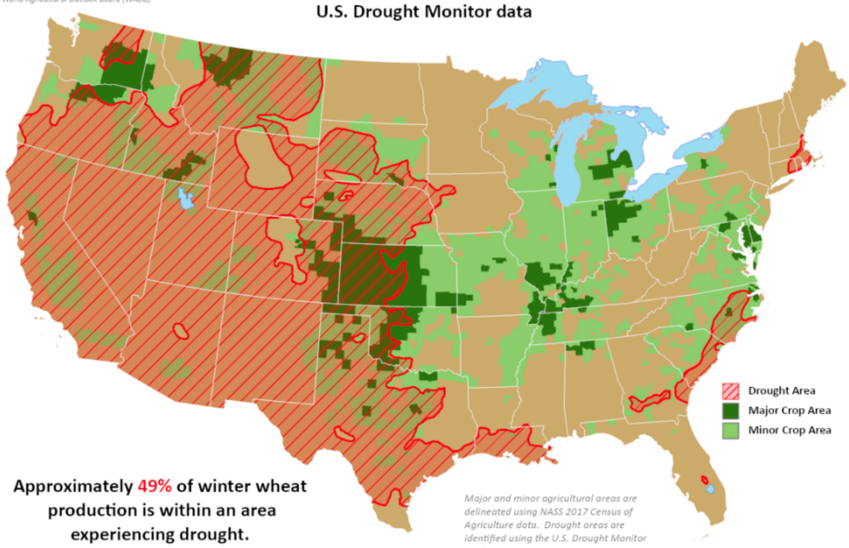
USDA United States Department of Agriculture

This product was prepared by the USDA Office of the Chief Economist (OCE) World Agricultural Outlook Board (WAOB)

Winter Wheat Areas in Drought

Reflects June 7, 2022
U.S. Drought Monitor data



Approximately **49%** of winter wheat production is within an area experiencing drought.

Major and minor agricultural areas are delineated using NASS 2017 Census of Agriculture data. Drought areas are identified using the U.S. Drought Monitor product.

- 26% of area in Severe to Exceptional Drought

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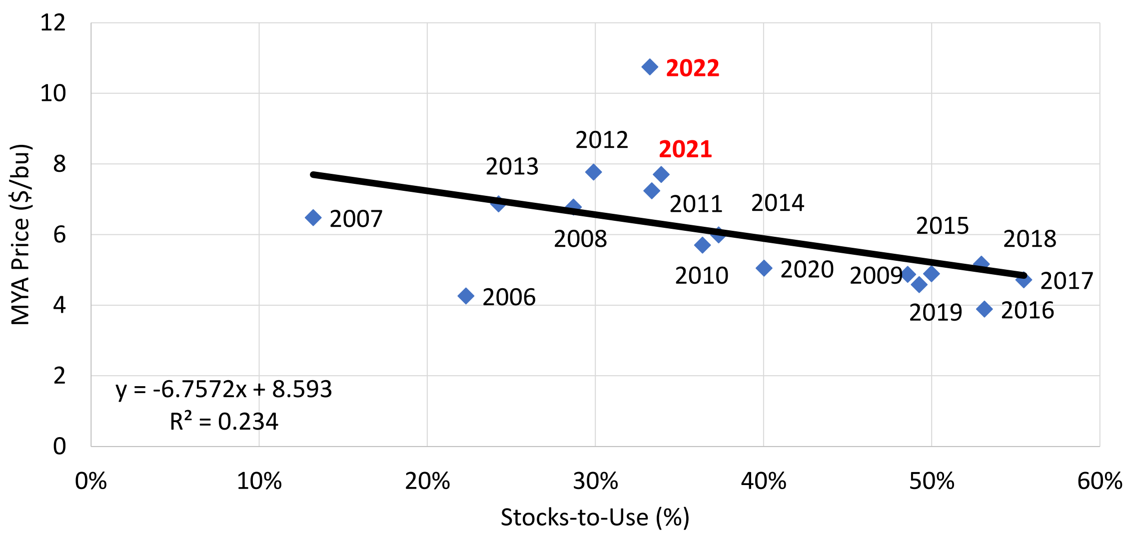
U.S. Wheat Stocks-to-Use, 2006-2022*



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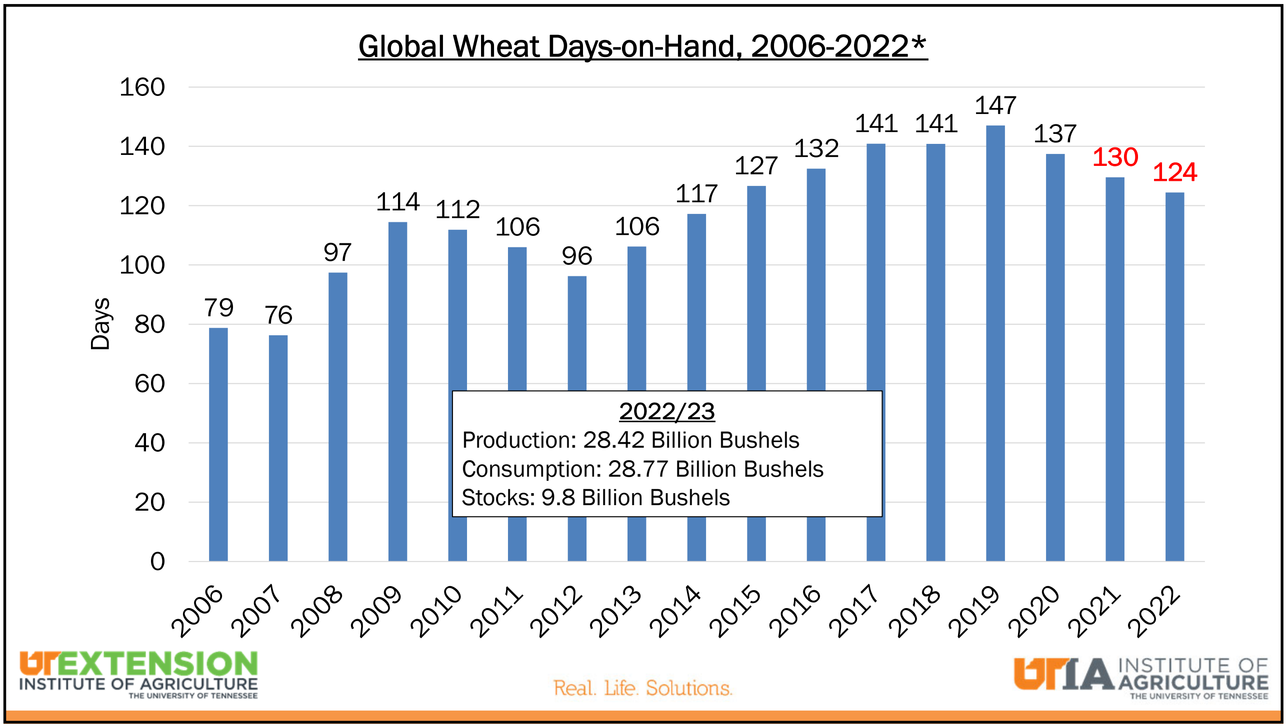
Global Wheat Days-on-Hand, 2006-2022*
Days
160
140
120
100
80
60
40
20
0
79
76
97
114
112
106
96
106
117
127
132
141
141
147
137
130
124
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2022/23
Production: 28.42 Billion Bushels
Consumption: 28.77 Billion Bushels
Stocks: 9.8 Billion Bushels
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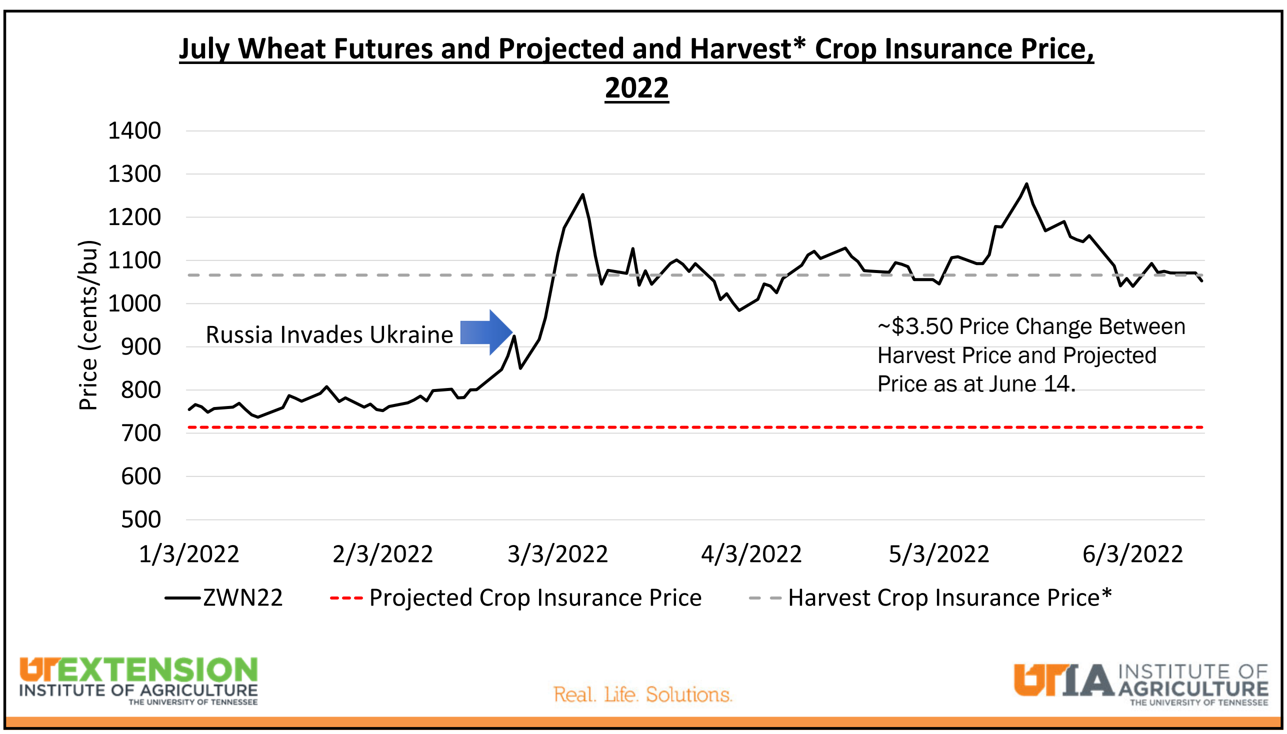
July Wheat Futures and Projected and Harvest* Crop Insurance Price, 2022
Price (cents/bu)
1400
1300
1200
1100
1000
900
800
700
600
500
1/3/2022
2/3/2022
3/3/2022
4/3/2022
5/3/2022
6/3/2022
Russia Invades Ukraine
~$3.50 Price Change Between Harvest Price and Projected Price as at June 14.
ZWN22
Projected Crop Insurance Price
Harvest Crop Insurance Price*
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Take Home

- Production estimates and storage availability.
- Profitable opportunities in spite of elevated costs.
- Layoff financial risk from high inputs by securing a price on commodities.
- Establish a price on a portion of production (1/4 to 1/2)
- Set a price floor on additional production.
- Options, HTA's, Forward Contracts

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Thank you

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