

MANAGING CROP REVENUE

and Market Price Risks

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Managing Crop Risks
with Steve Johnson

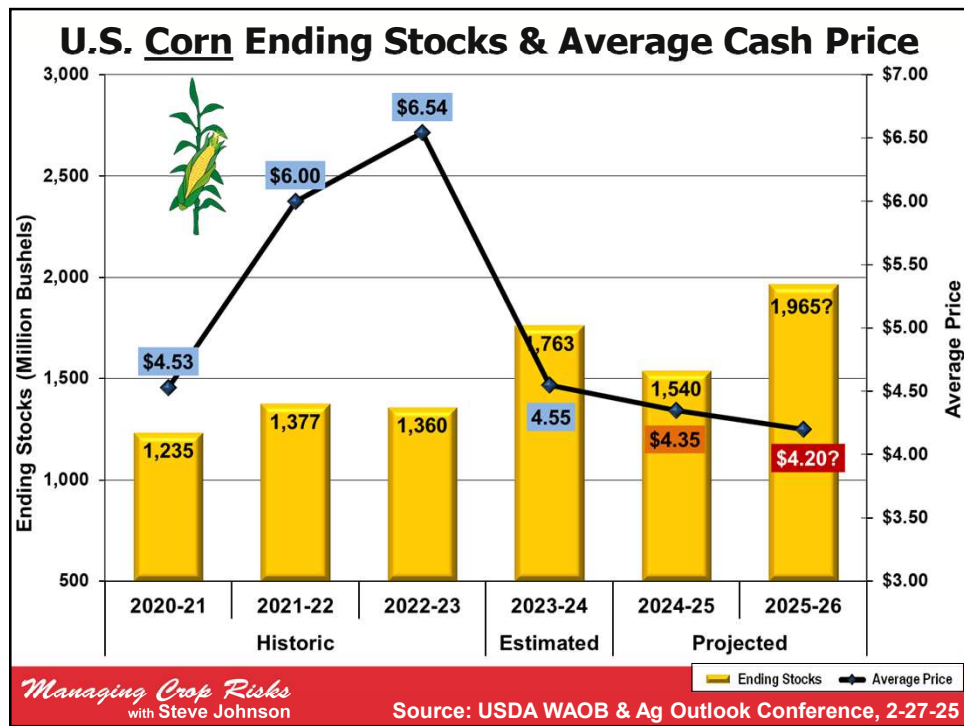
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Topics of Discussion

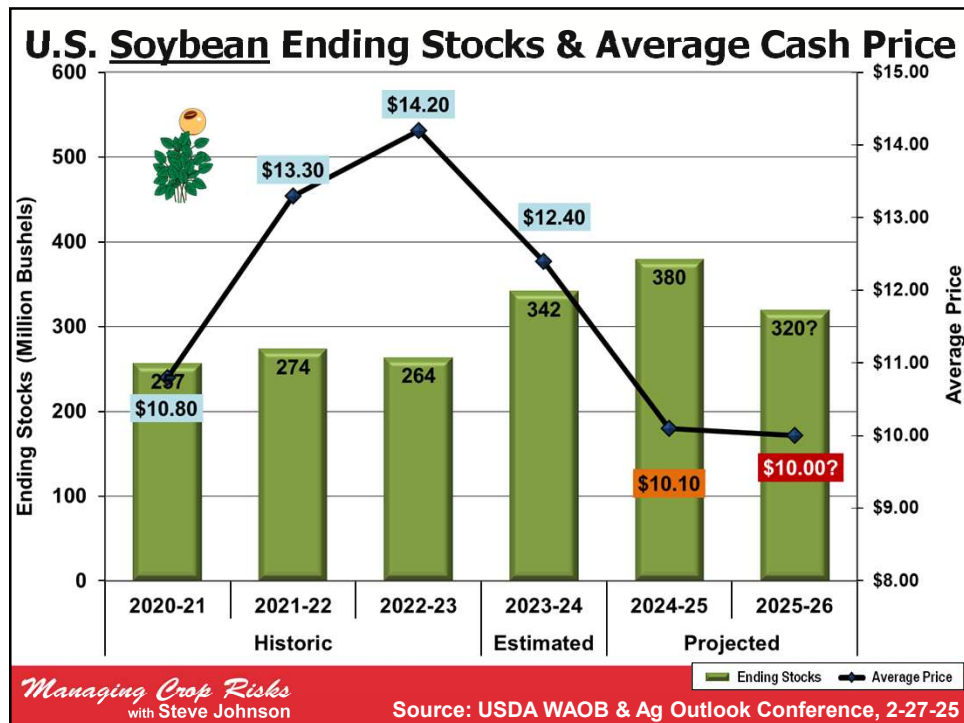
- **Discuss the latest USDA Reports & Highlight '24 & '25 Crop Supply/Demand & Cash Price Projections**
- **Consider Pre-Harvest Marketing Strategies & Trends for Seasonal Futures Prices**
- **Review Projection for '25 Net Farm Income plus '24 & '25 Crop Costs & Returns**
- **Understand Current Farm Program & Crop Insurance Decisions (Story County Corn Example)**
- **Develop Crop Marketing Plans with Price & Time Targets for '24 & '25 Crops**
- **Provide Crop Risk Management Web Sites**

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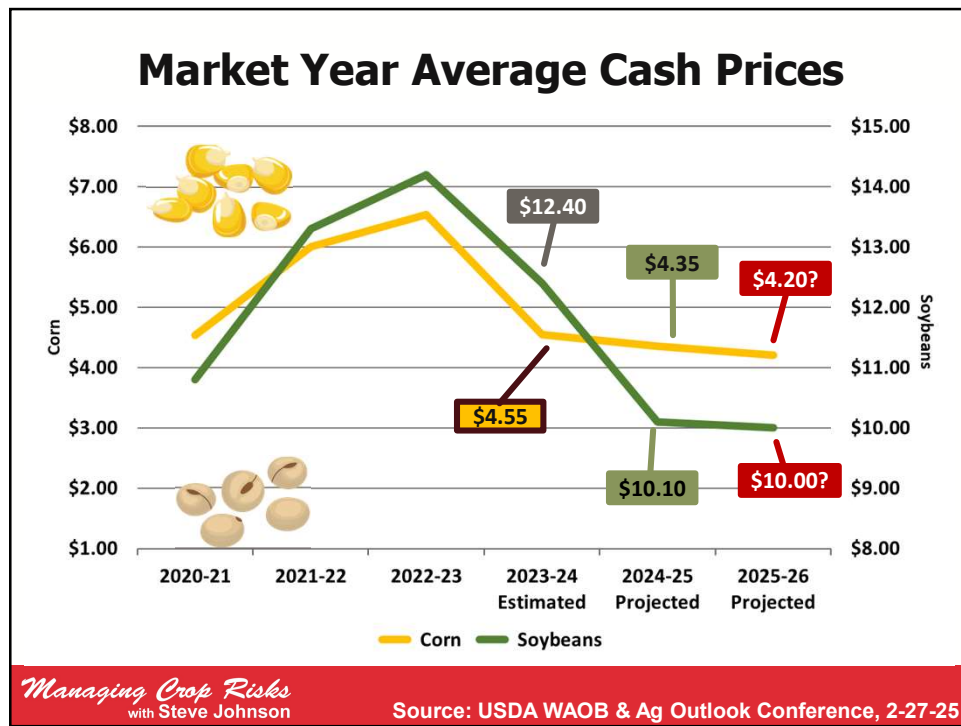
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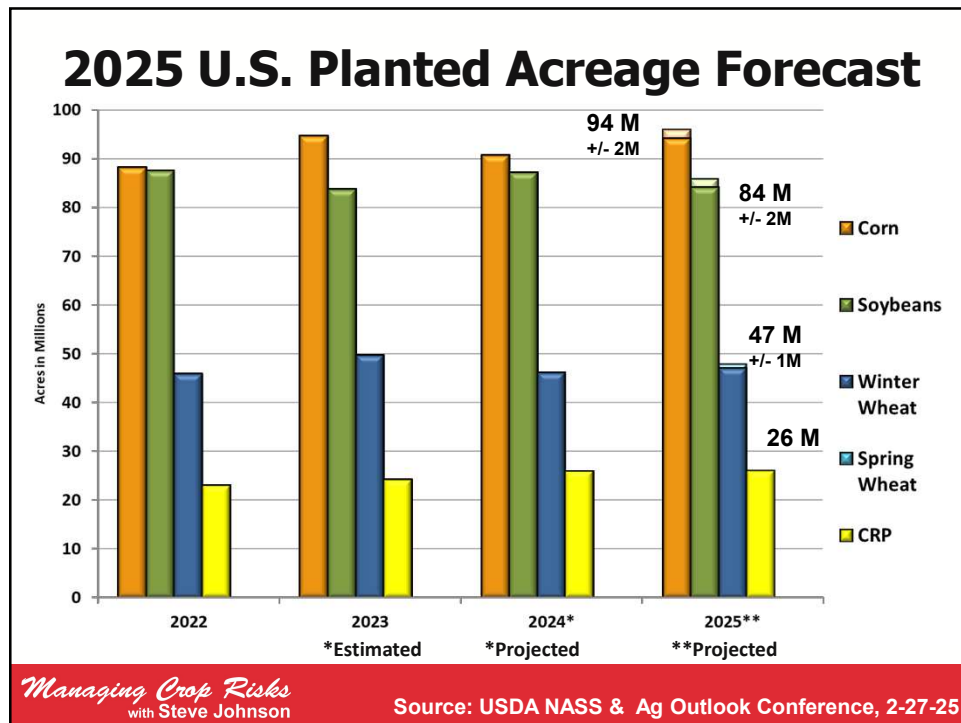
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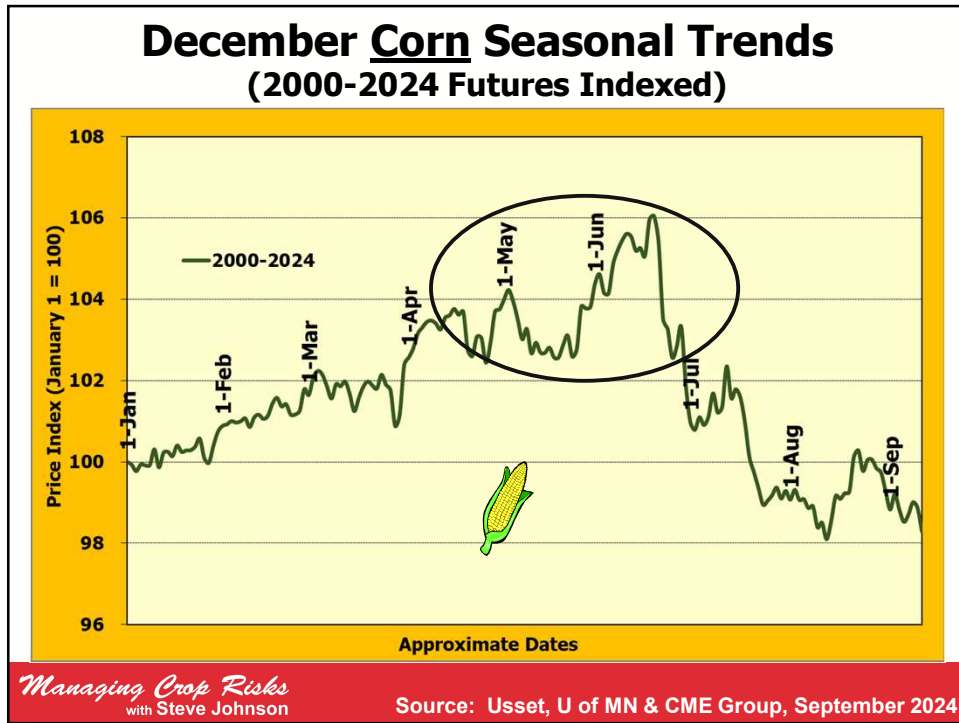
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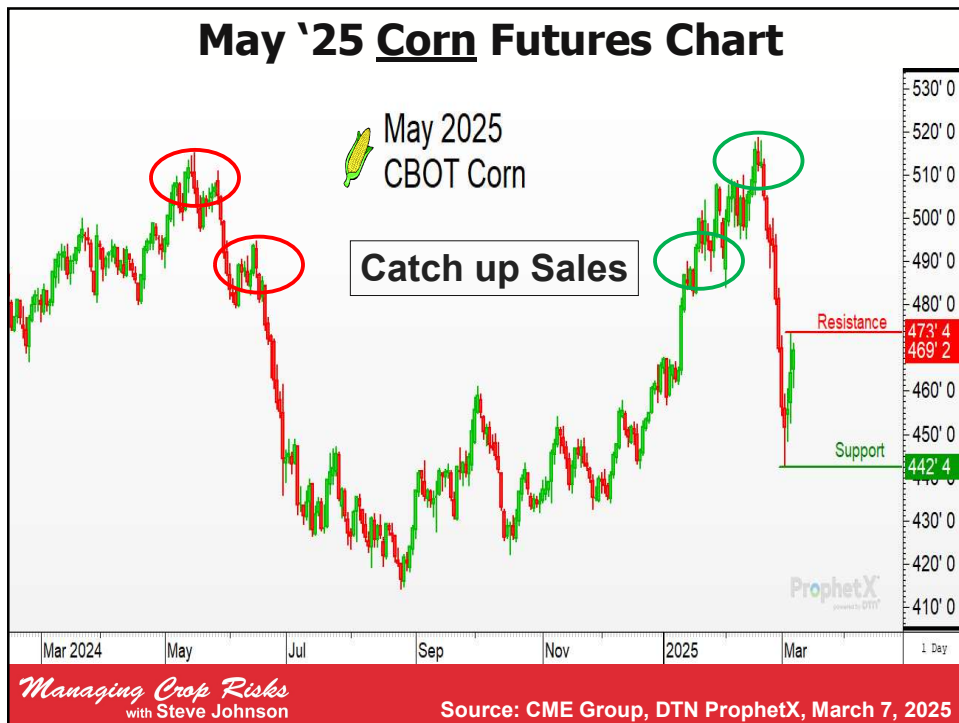
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'24 Crop Pre-Harvest Marketing Plans

• Corn

- Currently 90% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Dec. '24 Corn Futures hit \$4.93/bu, \$4.96/bu & ~~\$5.05/bu (gap)~~
- Spring '24 Sales: Got up to 80% of Approved APH bushels sold by Price or Date; April 15, May 15 & 31 & June 14.

• Soybeans

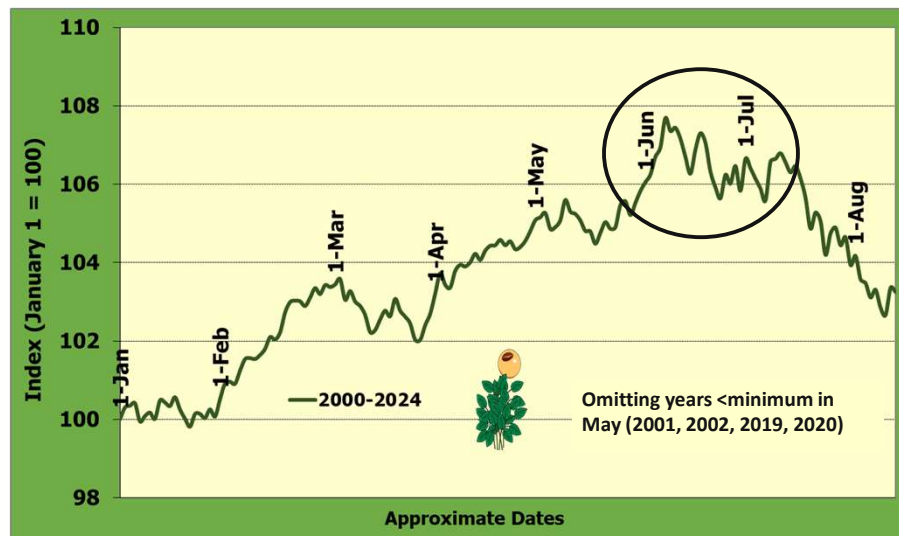
- Currently 100% Sold (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Nov. '24 Soybeans Futures hit \$12.01/bu, \$12.25/bu & ~~\$12.60/bu~~
- Spring '24 Sales: Got up to 80% of Approved APH bushels sold by Price or Date; May 31, June 14 & 28.

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Source: Johnson, Ag Consultant, Updated March 2025

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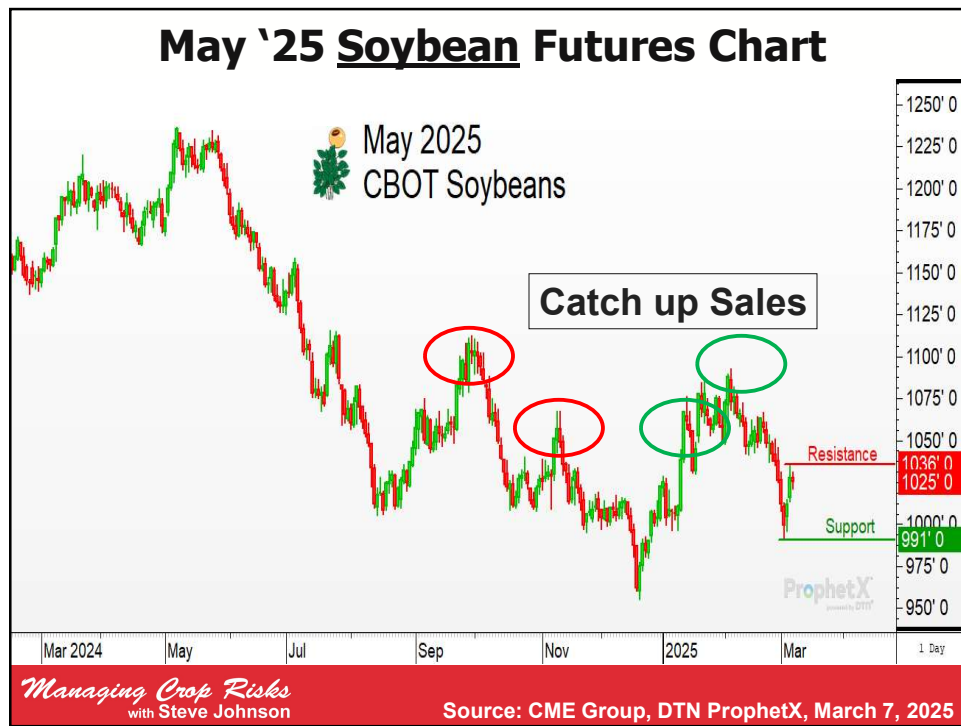
November Soybean Seasonal Trends (2000-2024 Futures Indexed)



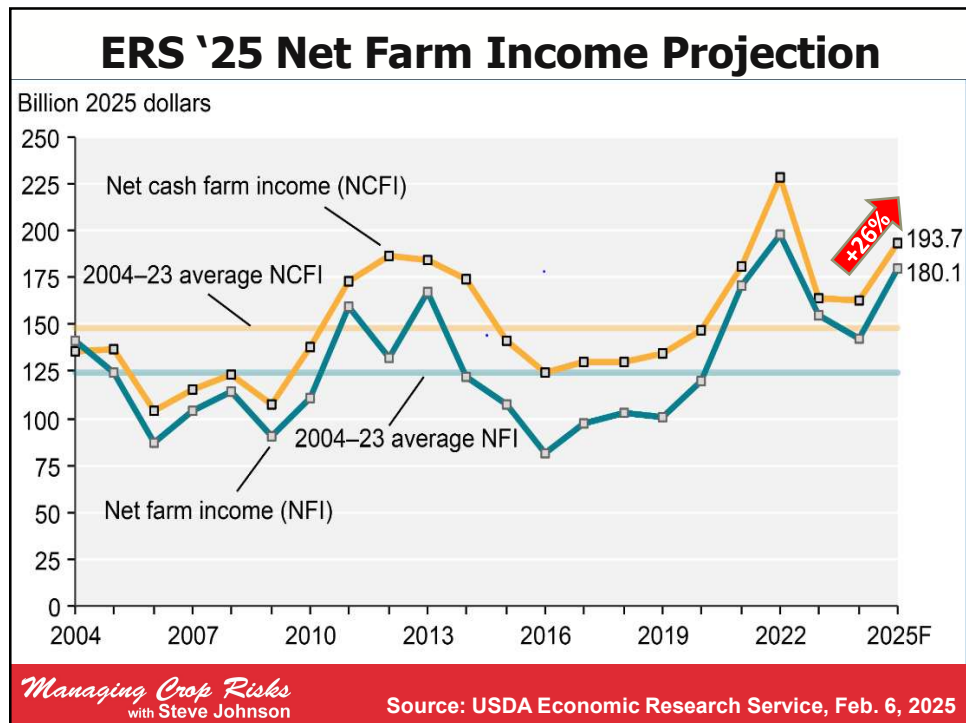
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Source: Usset, U of MN & CME Group, September 2024

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Corn and Soybean Costs & Returns

Northern Illinois, High Productivity	Corn		Soybeans	
	2024P	2025P	2024P	2025P
Yield per Acre	228	228	68	69
Price per Bu	\$4.25	\$4.30	\$10.20	\$10.20
Crop Revenue	\$969	\$980	\$694	\$704
ARC/PLC	\$5	\$10	\$5	\$10
Direct Costs	\$467	\$442	\$228	\$215
Power Costs	\$196	\$184	\$162	\$151
Overhead	\$131	\$131	\$100	\$99
Total Non-Land Costs	\$794	\$757	\$490	\$465
Operator & Land Return	\$180	\$233	\$209	\$249
Cash Rent	\$310	\$295	\$310	\$295
Farmer Return	-\$130	-\$62	-\$101	-\$73

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Source: Paulson & Schnitkey, U of IL FarmDoc, Jan. 14, 2025

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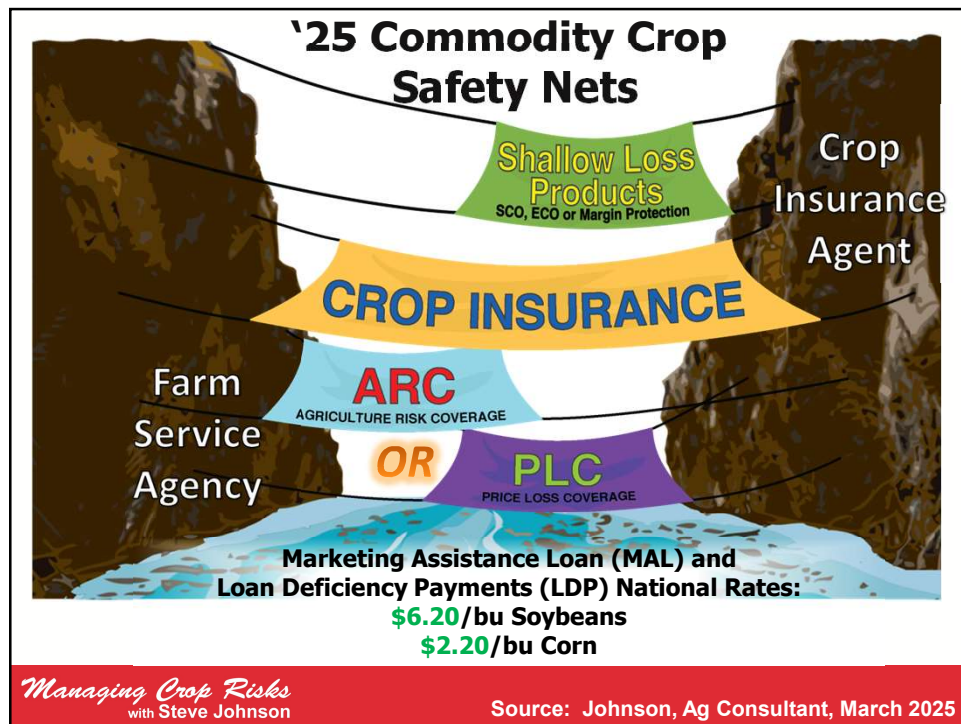
'24 Crop Economic Assistance Payment Rates (Estimated)

Crop	2024 MYA Price ¹	2024 Production Yield ²	2024 Economic Cost ³	Economic Gain/Loss ⁴	26% of Economic Loss	Statutory Reference Price	2024 Avg PLC Yield ⁵	Minimum Payment Rate ⁶	Estimated Payment Rate ⁷
Corn	4.10	174.5	879.10	(163.49)	42.51	3.70	143.1	42.35	\$ 42.51
Soybeans	10.20	50.2	625.29	(113.45)	29.50	8.40	40.9	27.46	\$ 29.50
Wheat	5.60	48.2	388.19	(118.05)	30.69	5.50	41.8	18.39	\$ 30.69
Cotton	0.660	846.9	894.56	(335.61)	87.26	0.370	1,828	54.11	\$ 87.26
Rice	0.156	7,534	1,314.84	(139.60)	36.30	0.140	6,207	69.52	\$ 69.52
Sorghum	4.10	66.7	437.14	(163.75)	42.58	3.95	63.8	20.17	\$ 42.58
Oats	3.40	66.4	524.48	(298.69)	77.66	2.40	52.1	10.01	\$ 77.66
Barley	6.60	73.4	472.01	12.10	n/a	4.95	55.0	21.76	\$ 21.76
Peanuts	0.262	3,891	1,184.95	(166.45)	43.28	0.268	3,566	76.30	\$ 76.30

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Source: Paulson, Schnitkey & Coppess, U of IL FarmDoc, 1-7-25

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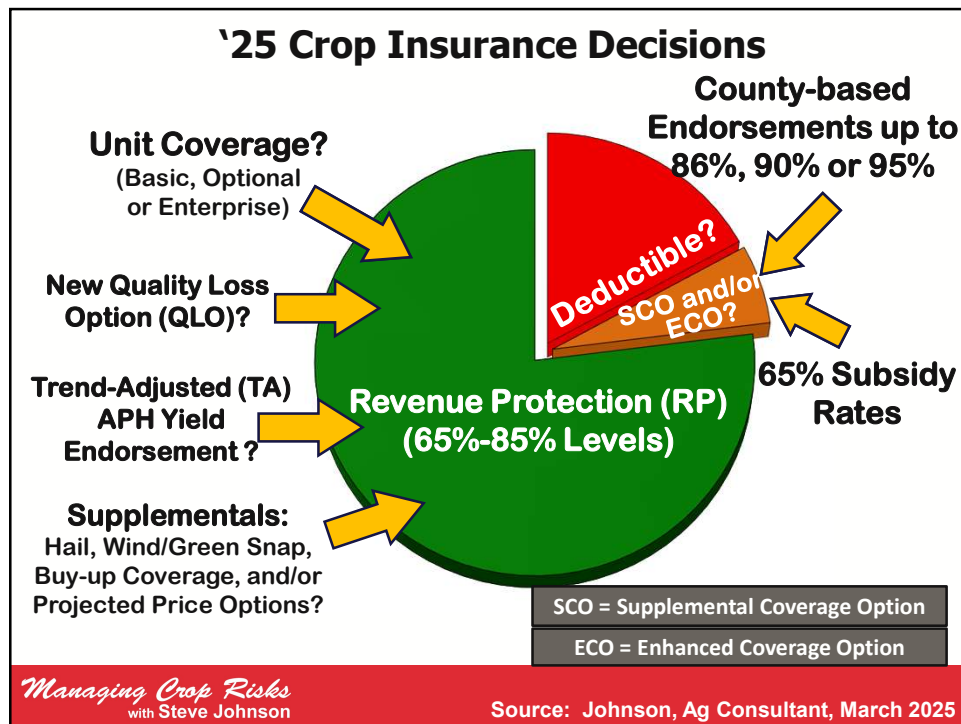
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ARC, PLC & MYA Prices		
<u>Corn</u> 🌽	<u>'24 Crop</u>	<u>'25 Crop</u>
PLC Eff. Reference Price	\$4.01	\$4.26
ARC Benchmark Price	\$4.85	\$5.03
Actual & Projected MYA	\$4.35	\$4.20?
<u>Soybeans</u> 🌱		
PLC Eff. Reference Price	\$9.26	\$9.66
ARC Benchmark Price	\$11.12	\$12.17
Actual & Projected MYA	\$10.10	\$10.00 ?

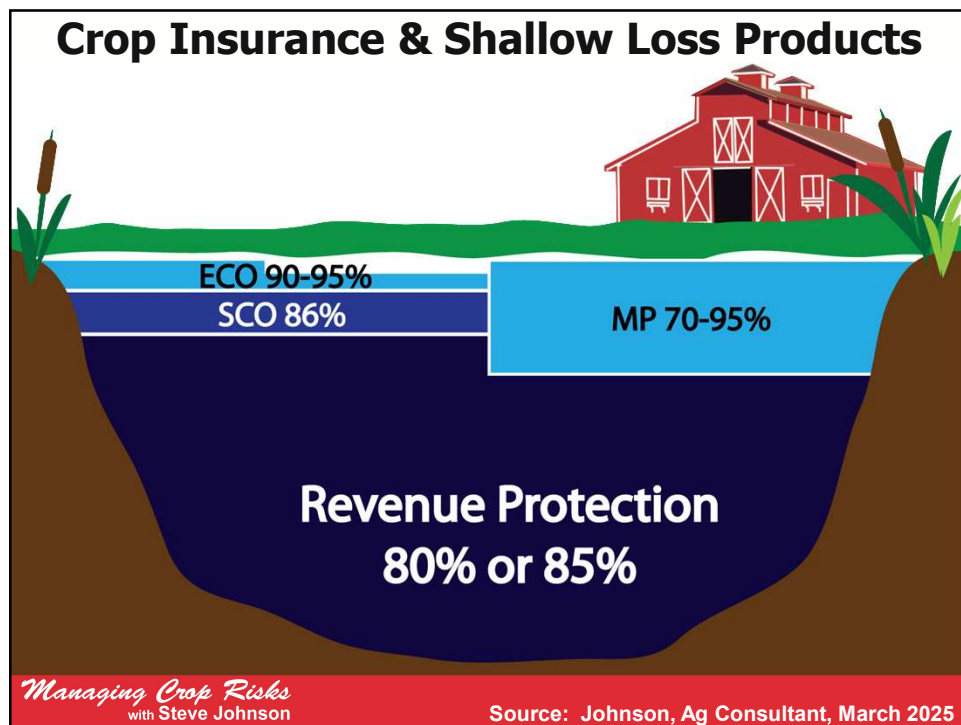
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Source: FSA & WASDE, Feb. 11, 2024

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Revenue Protection Premium Subsidies

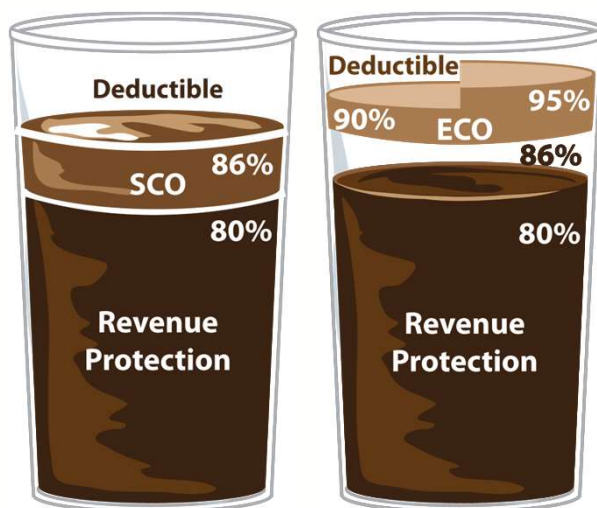
Coverage Level	Optional Units (Fields in Section)	Enterprise Units (Fields in County)
<u>65%</u>	59%	80%
<u>70%</u>	59%	80%
<u>75%</u>	55%	77%
<u>80%</u>	48%	68%
<u>85%</u>	38%	53%

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Source: USDA Risk Management Agency, October 2009

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Comparing SCO to ECO Endorsements



Supplemental = SCO

- County-based Revenue Guarantee not to exceed 86% level of coverage
- Subsidized at the 65% level
- Must elect PLC for that crop on that farm if buying SCO

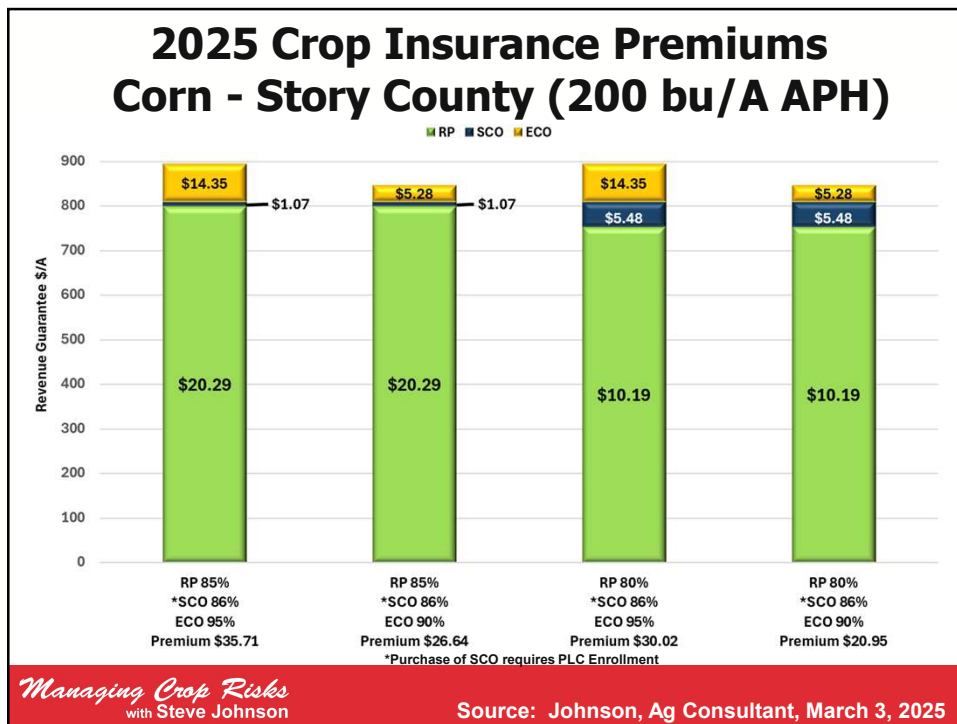
Enhanced = ECO

- County-based Revenue Guarantee not to exceed the 90% or 95% level of coverage
- Subsidized at 65% level beginning in 2025
- Can be purchased regardless of ARC/PLC election

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Source: USDA Risk Management Agency, December 2024

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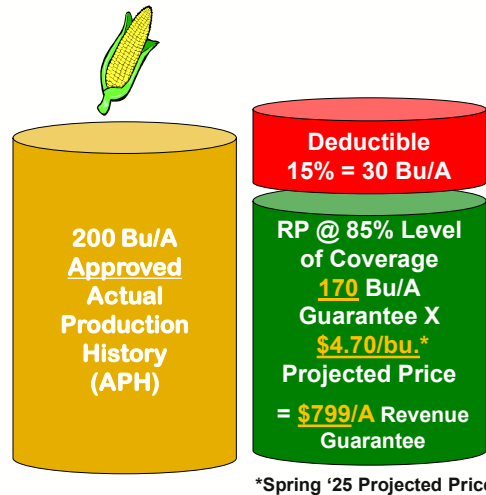


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Comparing Crop Insurance Premiums		
<u>Revenue Protection</u>	<u>85% Level</u>	<u>80% Level</u>
RP Premium Estimate	\$20.29	\$10.19
Adding SCO? (requires PLC)	\$1.07	\$5.48
<u>Adding ECO</u>	<u>95% Trigger</u>	<u>90% Trigger</u>
ECO Premium Estimate	\$14.35	\$5.28
RP + ECO Estimate	\$36.64	\$15.47
<i>Managing Crop Risks</i> with Steve Johnson		
Source: Johnson, Ag Consultant, March 3, 2025		

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



Marketing Strategy

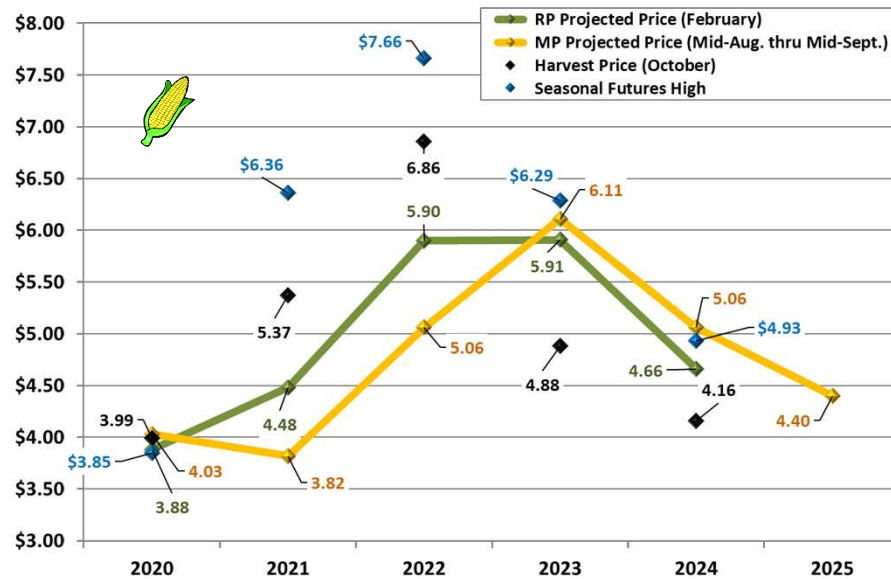
- Pre-Harvest Sell for Delivery up to 170 Bu/A
 - Forward Cash, HTAs
- Non-Delivery Bushels
 - Hedges & Options
- Price Guarantee is Higher of the Projected Price vs. Harvest Price
- Slight Basis Risk
- Must Plant the Crop
(Prevented Planting = 55%)

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Source: Johnson, Ag Consultant, March 2025

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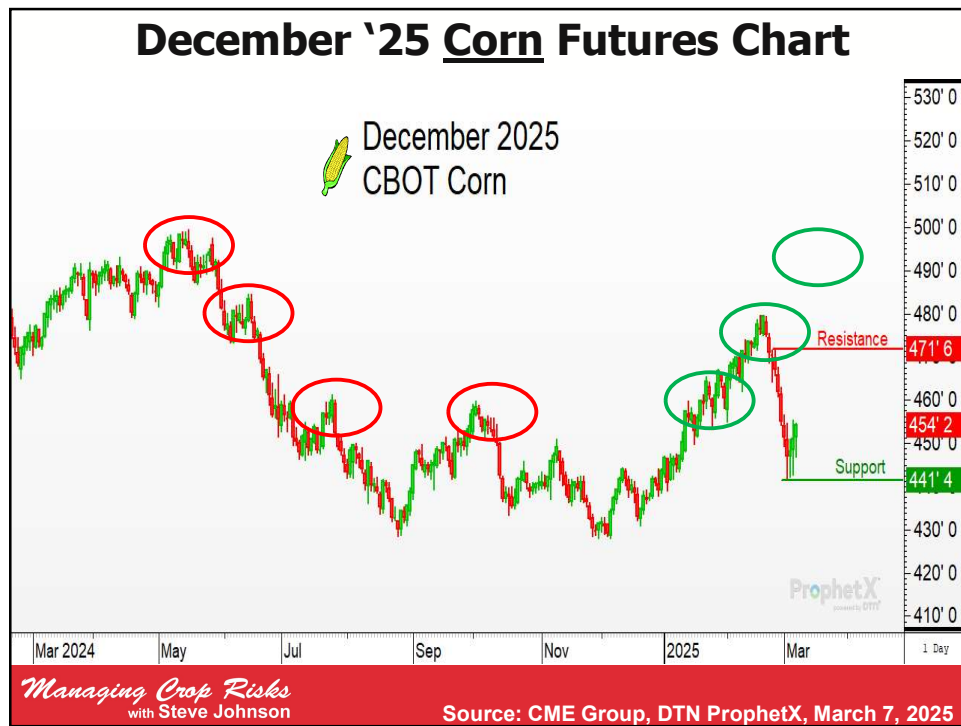
Corn Insurance Prices vs. Seasonal Futures Highs



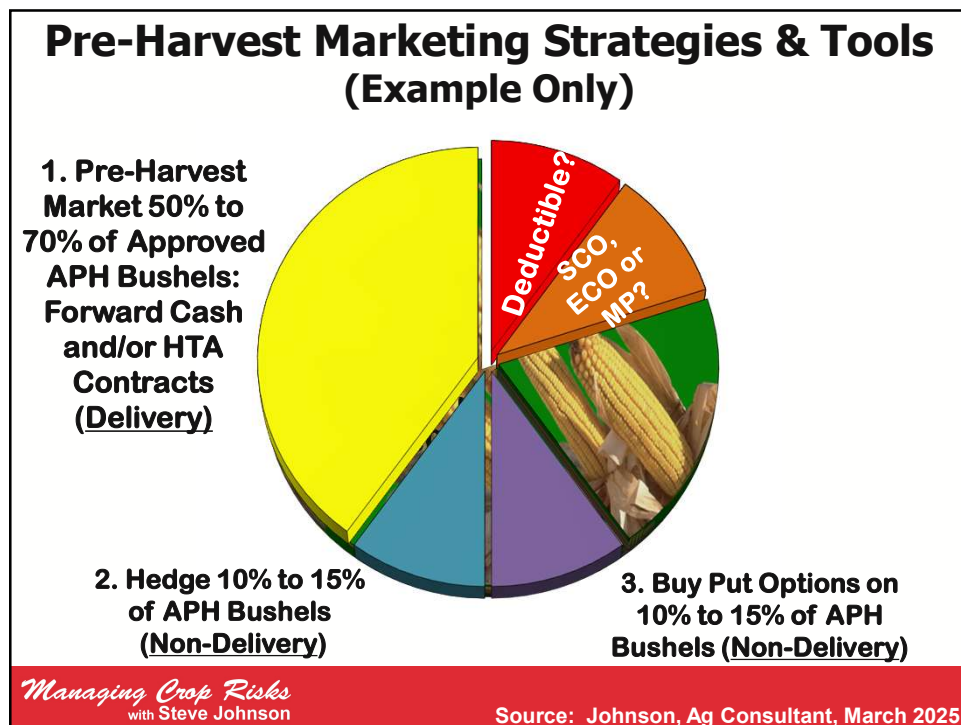
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Source: USDA RMA & CME Group, Nov. 1, 2024

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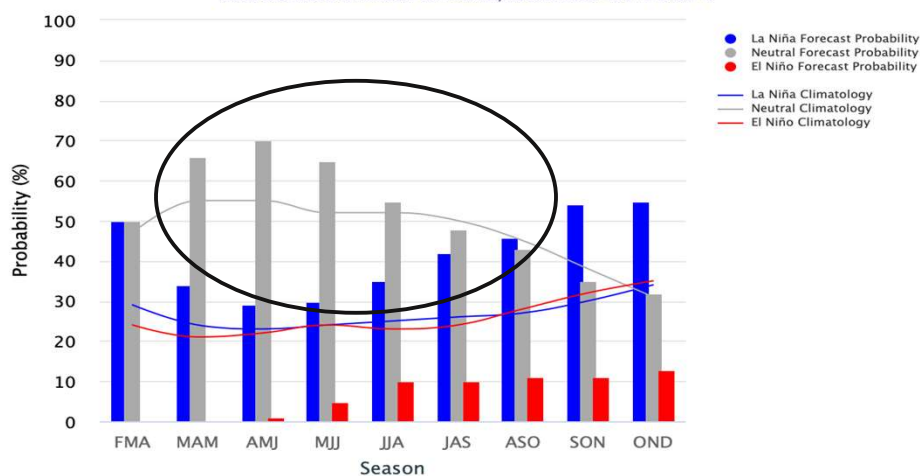


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El Niño Southern Oscillation (ENSO) Forecast (Odds favor ENSO Neutral thru Summer)

Mid-February 2025 IRI Model-Based Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly Neutral ENSO: -0.5°C to 0.5°C



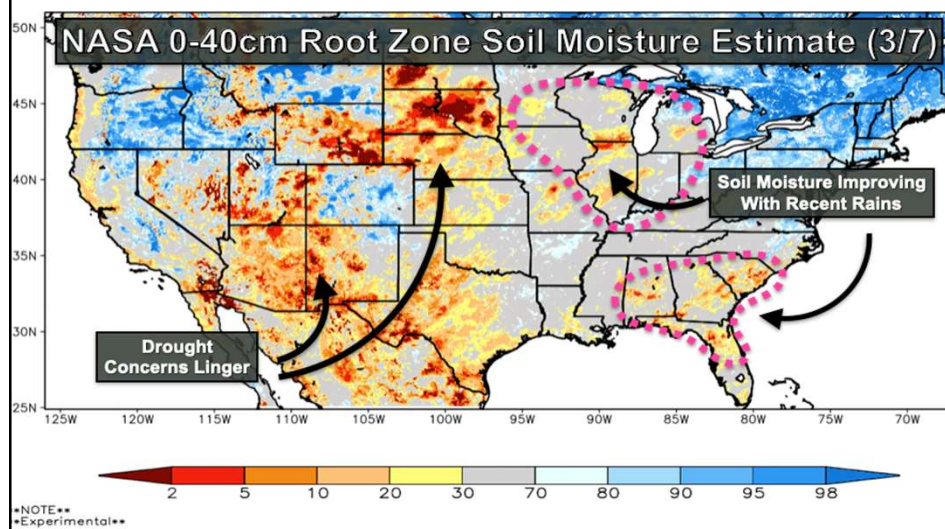
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Source: <http://iri.columbia.edu> Feb. 19, 2025

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Soil Moisture @ 16" Depth

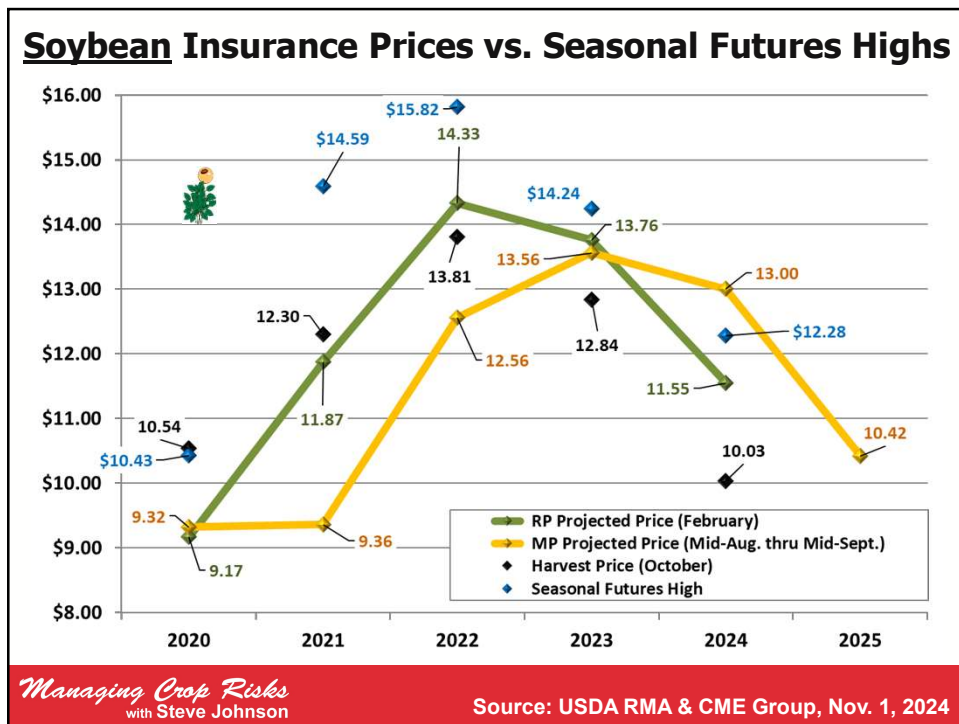
SPoRT-LIS 0-40 cm Soil Moisture percentile valid 07 Mar 2025



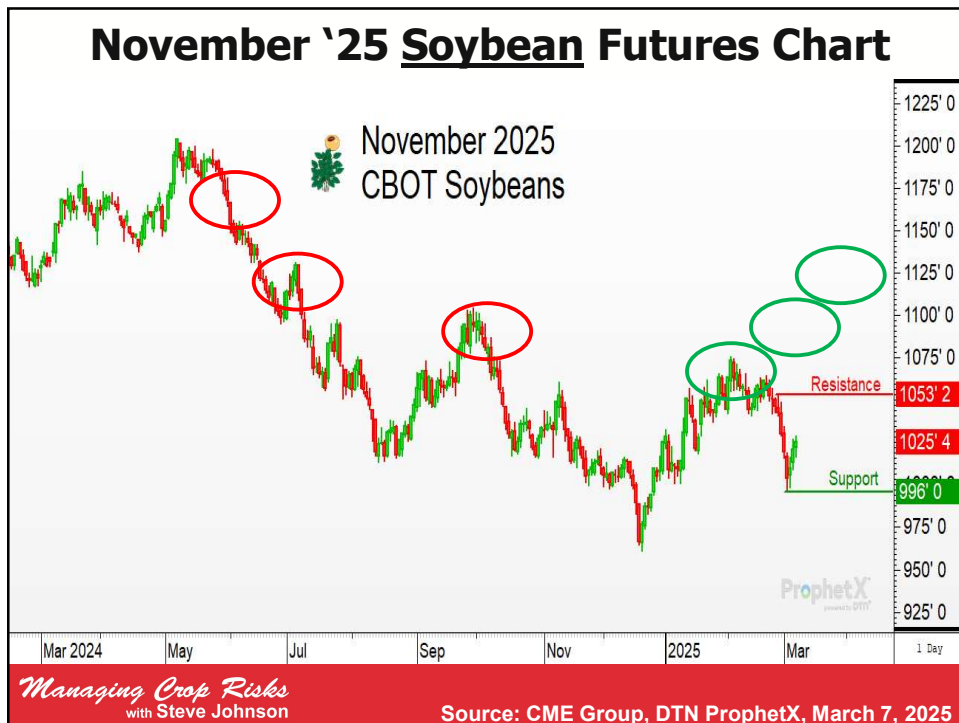
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Source: <http://ag-wx.com> March 7, 2025

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'25 Crop Pre-Harvest Marketing Plans

• Corn

- 20% Sold Spring '24 (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Dec. '25 Corn Futures hit \$4.55/bu (1-14), \$4.75/bu (2-20) & another 15% target @ \$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

- 20% Sold Spring '24 (Forward Cash/HTA or Hedged)
- Price Targets: 15% Incremental Sales when Nov. '25 Soybeans Futures hit \$10.75/bu, \$11/bu & \$11.25/bu
- Spring Sales: Get up to 80% of Approved APH bushels sold by Price or Date; May 1, 15 & 30, June 16 & 30.

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Source: Johnson, Ag Consultant, Updated March 2025

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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
- Nutrien Ag Solutions Weather Maps & Free YouTube Videos featuring Eric Snodgrass <https://ag-wx.com>
- NOAA, Climate Prediction Center & NWS
<https://www.cpc.ncep.noaa.gov/products/predictions>

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Source: Johnson, Ag Consultant, March 2025

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